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# Problems and Issues Facing Farmer Cooperatives

## Abstract

Cooperative management mentioned low commodity prices, the agricultural economy, operational issues, and increasing costs as the major problems facing their cooperatives over the past year and that they will continue to face in the near future. These were some of the findings from two questions included in the 2000 survey of farmer cooperatives. Problems identified by cooperative management were classified into 17 problem sets. The responses were analyzed for both the past year and the near future (next 1-2 years) for all cooperatives, by type and size, and by region of the country.

**Keywords:** cooperatives, statistics, problems, issues, management, agriculture

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## Problems and Issues Facing Farmer Cooperatives

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**Acknowledgment:** This report is dedicated to my co-author, Charles A. Kraenzle, who died on August 15, 2002. Throughout the preparation of this report, Charlie never faltered. He allowed me, and others, to witness what we had come to know as a wonderful and endearing mixture of dedication, determination, courage, humor, and an open and enduring kindness. We will miss him.—T. G.

## Preface

Farmer cooperatives are facing some very difficult times due to a changing global and domestic world economy. Overproduction, increased imports, and low farm prices have resulted in many cooperatives ending their business year with decreased revenues and earnings.

This study was conducted to provide important insight into what cooperative management considers the major problems and issues they faced during their fiscal year ended in 2000 and what they consider to be the major problems and issues over the next 1-2 years. This report summarizes the responses from a survey of farmer cooperatives by principal product marketed, major function, size of cooperative, and region of the country.

The information was collected from individual farmer and fishery cooperatives by including additional questions in the annual survey of farmer cooperatives. A mail survey was conducted of nearly all organizations identified by USDA's Rural Business-Cooperative Service (RBS) as a farmer or aquacultural cooperative. Information obtained from individual cooperatives is combined or presented in a way to maintain confidentiality.

The purpose of this study is to help management, cooperative leaders, researchers, and educators identify the major problems and issues facing cooperatives so that joint efforts can be used in helping cooperatives solve their problems.

The authors thank the cooperative managers who provided the information requested and to the members of the RBS Statistics Staff, Celestine C. Adams, Katherine C. DeVille, Jacqueline E. Penn and Ralph M. Richardson, for collecting the survey data.

# Contents

Highlights .....	iv
Summary and conclusions .....	vii
Introduction .....	1
Classification of problems and issues .....	1
Problems and issues—past year .....	2
Cooperative function .....	5
Marketing cooperatives .....	5
Farm supply cooperatives .....	7
Related-service cooperatives .....	9
Type of cooperative .....	10
Grain cooperatives .....	10
Fruit and vegetable cooperatives .....	10
Dairy, wool, and sugar cooperatives .....	12
Cotton ginning cooperatives .....	12
Size of cooperative .....	12
Region of the country .....	15
Summary of problems identified—past year .....	19
Problems and issues—near future .....	20
All cooperatives .....	20
Cooperative function .....	21
Marketing cooperatives .....	21
Farm supply cooperatives .....	22
Related-service cooperatives .....	22
Type of cooperative .....	24
Grain cooperatives .....	24
Fruit and vegetable cooperatives .....	25

# Contents

Dairy cooperatives .....	.26
Wool cooperatives .....	.26
Cotton ginning .....	.26
Size of cooperative .....	.28
Future problems identified by region .....	.29
Low prices and the agricultural economy .....	.29
Comments beyond prices and the agricultural economy .....	.32

## Highlights

Information for this study was collected by adding two open-ended questions to Rural Business-Cooperative Service's (RBS's) annual survey of farmer cooperatives. The questions sought to identify problems and issues facing cooperative management both in the near past and the near future (next 1-2 years). More cooperatives (1,147) responded to the question concerning the past year than those (1,128) about the future. However, the total responses for the future (1,565) were greater than for the past (1,496).

Seventeen problem areas were identified for classifying past and future problems. These included: accounts receivable, agricultural economy, competition, consolidation, technology, genetically modified crops, Government regulation, Government programs, increasing costs, labor, low commodity prices, operational, other, transportation, weather, members, and low margins.

A two-tier methodology was used to report the findings. In the first tier, the minimum number of problem areas that accounted for at least 50 percent of the responses were reported. In the second tier, problems reported accounted for at least an additional 5 percent of the total responses in a specific category or included at least 10 responses.

Among all cooperatives, low commodity prices, the agricultural economy, operational difficulties, and increasing costs were the most frequently mentioned problems management faced the past year. Second-tier problems included labor, low margins, competition, and weather. In the near future, the agricultural economy, low commodity prices, operational difficulties, and increasing costs were most frequently mentioned, just as in the past, but with some shifting of emphasis. Competition, low margins, and labor were included in the second tier. Weather was considered a problem less often.

In marketing cooperatives, low commodity prices, operational difficulties, the agricultural economy, and competition were mentioned the most frequently for the past year. Labor, low margins, weather, and increasing costs were also frequently mentioned. These same problems were identified for the near future except the agricultural economy and increasing costs were considered to be of greater concern.

Management of farm supply cooperatives identified the agricultural economy, low commodity prices, increasing costs, and low margins as the first-tier set of problems. Second-tier problems for the past year included operational difficulties, labor, competition, weather, and accounts receivable. The problems identified for the near future, in the first tier were the same. The second tier, however, included only labor, operational difficulties, and competition.

Among related-service cooperatives for the past year, low commodity prices, weather, increasing costs, and labor were mentioned most frequently. Other problem areas included operational difficulties, the agricultural economy, and competition. In the near future, the agricultural economy was of more concern and weather and competition of less concern.

By selected type of cooperative, grain cooperatives cited operational difficulties, low commodity prices, low margins, and the agricultural economy most frequently for the past year. The agricultural economy, operational difficulties, low commodity prices, increasing costs, and competition were the most frequent responses for the near future. More concern was given to the agricultural economy and increasing costs and less to low margins.

## Highlights

Fruit and vegetable cooperatives mentioned low commodity prices, competition, operational difficulties, and the agricultural economy most frequently as the major problems they faced the past year. These same problem areas were cited most frequently for the near future, but in a different order.

The problem area mentioned most frequently by dairy cooperatives for the past year was low commodity prices. "Members" was also a concern. For the near future, other problem areas surfaced. Low commodity prices were still of major concern. However, the agricultural economy, operational difficulties, and members were also frequently mentioned problems or issues.

Wool cooperatives identified low commodity prices and competition as their major problems for the past and coming years, but with more future emphasis on the agricultural economy and operational difficulties.

Cotton ginning cooperatives cited low commodity prices, weather, and labor most frequently as problems for the past year. Low commodity prices, increasing costs, weather, the agricultural economy, and labor were mentioned most frequently for the near future. Weather was less of a concern.

Low commodity prices and the agricultural economy were among the most frequently cited problems by size of cooperative for the past year. Only one size, cooperatives with revenues of \$500 million and more, did not show both of these problem areas among their most frequently cited concerns. Larger-sized cooperatives cited operational problems and increasing costs more frequently.

Smaller cooperatives, with revenues less than \$10 million, tended to show greater prevalence of alternative problem sets. They less frequently cited operational difficulties and low margins than did all cooperatives. Increasing costs were more frequently mentioned by the very smallest cooperatives, with less than \$2 million in revenues and \$5 million to \$9.9 million in revenues. "Weather" problems were increasingly cited by cooperatives with revenues of less than \$5 million but more than \$1 million. "Competition" was listed more often by cooperatives with revenues of \$4 million to \$4.9 million.

Cooperatives with revenues of \$10 million and more showed less variability in responses offered. Low commodity prices, agricultural economy, operational difficulties, and low margins tended to be the most prevalent response from larger organizations. However, "labor" was mentioned more often by cooperatives with \$15 million to \$24.9 million in revenues. "Increasing costs" responses were more prevalent for cooperatives with \$50 million to \$99.9 million in revenues.

In the near future, the agricultural economy, low commodity prices, operational problems, and low margins were the most prevalent concerns for cooperatives with revenues in the mid-range sizes. For cooperatives with revenues between \$25 million and \$49.9 million, the agricultural economy, low commodity prices, operational problems, and low margins were prevalent. Cooperatives with revenues between \$15 million and \$24.9 million identified these same four problem areas, plus increasing costs.

Different combinations of problems were reported from organizations larger and smaller than the mid-sized cooperatives. However, the agricultural economy and low commodity prices were the most anticipated problems for nearly all size categories. "Low

## Highlights

commodity prices” was among the most frequently cited for each size, except for those cooperatives with \$100 million to \$499.9 million in revenues.

Problems facing cooperative management in the past and near future were also analyzed by region. Low commodity prices and the agricultural economy were among the most cited in nearly every region. However, except for the Corn Belt, operational problems and low margins shifted down variously in each region, and at least one problem set—labor, weather, competition, and increasing costs —shifted up.

Low commodity prices and the agricultural economy were among the most frequently cited problems across each region. Operational problems, low margins, labor, weather, competition, and increasing costs variously moved into and out of the first-tier problem sets, depending upon the region.

In the Northern Plains, increasing costs were frequent concerns, particularly labor. In the Pacific region, competition and operational difficulties were among the most often mentioned. In the Southeast region, weather and operational difficulties were prime concerns. In the Appalachian region, cooperatives cited operational difficulties more often. Low margins were among the prime concerns in the Lake States region, weather in the Southern Plains, increasing costs in the Delta region, labor in the Mountain States region, and competition in the Northeast.



## Summary and Conclusions

The responses from cooperatives primarily dealt with two aspects of the agricultural economy, the survival of farmers and farms, and the survival of cooperatives. The differences between “past year” responses and the “near future” primarily dealt with emphasis. “Past year” responses cited immediate difficulties, while future responses focused more on larger structural issues.

Survival of farmers and farms reflected various influences that affected producer profitability. Low commodity prices were understood as pervasive both in the past and expected in the future and partly due to excess supply, driven by expansion of domestic commodities in some regions, as well as an increase in the importation of cheaply produced foreign goods. Producers were faced with low commodity prices, and with increasing costs of fertilizers, energy sources, and labor in some instances. In some regions, weather conditions reduced local volumes. Under such conditions producer profitability drops, and survival becomes more difficult.

Poor earnings forced some farmers to discontinue operations. Others quit due to retirement, urbanization, and health problems. Some developed strategies to stay in business. Many sought greater volumes by expanding both vertically and horizontally. Some engaged in contract production or used other practices (Internet purchases and sales) to improve the overall farm efficiency.

Many of these dynamics have direct impact on cooperative survivability. Fewer farmers can result in reductions in local volumes, commodities sold, and supplies and services purchased. Larger farmers with greater volumes may also bypass local cooperatives and go direct to terminals. Others that do not bypass the local may want better deals from their cooperatives. Those who contract with investor-owned firms (IOFs) drain volume from cooperatives. Cooperatives themselves, must operate in an environment of increasing costs coupled with reduced volumes, low prices, and increased costs, each contributing to low margins.

Cooperatives have sought to respond with various operational adjustments—niche marketing, improved financing, debt management, improved efficiency and growth—aimed at boosting returns to farmer-members, helping them to stay in business, and thereby preserving cooperative volumes. These conditions have forced some cooperatives to close. Others have made various organizational changes that have included:

- closing smaller branches;
- increasing the number of locations;
- forming mergers, joint ventures, and strategic alliances;
- developing value-added products to improve profitability;
- charging for previously free services;
- doing more with fewer people;
- creating new profit centers;
- finding demand for products;

## **Summary and Conclusions**

- maintaining feed volumes to justify services and employment;
- staying focused on making a difference and moving from a production to a marketing orientation;
- managing growth and expanding the producer base;
- maintaining profitability and retiring members' equity;
- getting customers to pay their bills;
- getting products when they are needed;
- improving inventory management and purchasing to stay competitive in the marketplace; and
- recognizing what is done well and becoming the best at it.

# Problems and Issues Facing Farmer Cooperatives

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Rural Business-Cooperative Service

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## Introduction

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A farmer cooperative is a business organization owned and controlled by its members for their mutual benefit. Members finance their cooperative through equity investments. Control comes via membership rights to vote for and become directors. The directors hire the manager and establish the policy under which the manager operates. While the manager and directors have little direct control over the external environment, they do have control over and the responsibility for how the cooperative adjusts to a continuously changing world environment. Cooperatives face many problems and issues, both internally and externally, in seeking to adjust to these national and global changes.

The objectives of this study are to identify: (1) what management considered to be the major problem facing the cooperative over the past year, (2) what management sees as the most pressing future problems or issues facing their cooperative in the near future (next 1-2 years), (3) if the current and future problems differ, (4) and paths management identifies for addressing some of these problems.

Information for this study was collected by adding two open-ended questions to RBS annual survey of farmer cooperatives. "In the past year, what did your management consider to be the major problem or issue facing your cooperative?" And, "What does your management see as the major problem or issue facing your cooperative in the next year or two?"

Questionnaires were sent to 3,058 farmer cooperatives. More cooperatives (1,147) responded to the question concerning the past year than those (1,128) about the future. The response rate was 37.5 percent to the first question and 36.9 percent to the second one. Most of their responses were short, such as "accounts

receivable," "decline in farmers," "competition," and "low farm prices." Some cooperatives identified more than one problem or issue, such as "low farm income and excessive government regulations" or "imports, retail consolidation, prices."

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## Classification of Problems and Issues

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These responses were reviewed and a classification scheme was developed to summarize like responses. If a cooperative reported more than one problem, up to three were classified. As a result, the number of responses exceeded the number of cooperatives responding. A total of 1,496 responses were recorded for the current year and 1,565 responses for the near future. More problems or issues were identified for the future by fewer cooperatives.

Seventeen problem areas or classifications were identified. Here are the classifications used in the study with some examples of problems reported by cooperatives:

*Accounts Receivable*—Includes high and/or overdue "accounts receivable," "customers inability to pay accounts," "credit," and "cash flow" problems.

*Agricultural Economy*—Includes "changes in agriculture structure," "depressed farm economy," "declining number of farmers," "decrease in production," "losing the small family farms," "encroachment from development," and "declining net income of farmers. It puts pressure on them to cut back on input usage."

*Competition*—Includes cooperatives "competing with large co-ops and processors," "competing with suppliers," "competition from Internet vendors," "competition from large national dealers in the retail business," "contract selling by producers," "direct sell-

ing of ag products to farmers,” “market for our product,” “fewer customers,” “price competition,” and “worldwide excess inventory.”

*Consolidation*—Includes “consolidation and integration of markets,” “consolidation of agriculture,” “consolidation and regional ownership of locals,” “retail consolidation,” and “mergers.”

*Technology*—Involves “changing technology in farming,” “adapting to Internet trading,” “concern over e-business,” “brokers putting bids on internet and by-passing the local co-op,” “dealing with Internet trading,” “speed of changing technologies,” “transition to computer age,” and “meeting the demands of newer technologies to service our customer.”

*Genetically Modified Crops*—considers “biotechnology,” “GMO (genetically modified organisms) grains,” “Starlink corn,” “biotech grain,” “Non-GMO vs GMO grain,” “segregating grains,” “marketing bio-tech grain and dealing with buyer’s call programs,” and “consumer acceptance of GMO grain.”

*Government regulation*—covers “Government regulations,” “compliance issues,” “more Government intervention,” “fuel regulations,” “air pollution control issues,” “EPA-DEO-OSHA,” “safety issues, EPA,” and “keeping abreast of Government regulations.”

*Government programs*—includes problems such as “a farm program that detours sales of farm inputs,” “drop in volume due to CRP (Conservation Reserve Program),” “loss of sales due to Federal Crop Insurance program,” “conserving the tobacco program,” “U.S. sugar policy,” “Government programs that idle agricultural land use,” and “farm policy for the farm bill of 2002.”

*Increasing costs*—covers “high costs of fuels,” “rising labor costs,” “rising expenses,” “higher input costs,” “prices causing cash flow problems,” and “expense control.”

*Labor*—includes problems associated with “hiring employees,” “attracting and retaining quality personnel,” “employee issues,” “finding competent labor,” “labor availability,” “labor costs,” “good quality employees who want to work the hours required,” and “personnel problems.”

*Low commodity prices*—includes problems such as “low commodity prices,” “cheap grain prices,” “low milk prices,” “low prices for fresh fruits,” “low sugar prices,” “low farm prices,” “volatile prices,” and “sustainability in the face of depressed prices”.

*Operational*—views a wide variety of problems associated with the internal operations of a cooperative. Included are such items as “business survival and profitability,” “cash flow,” “financing,” “debt manage-

ment,” “equity management,” “getting more efficient,” “keeping co-op solvent,” “lack of income producing sales,” “survival,” “working through merger,” and “focus on direction for the future.”

*Other*—includes responses such as “No,” “none,” “unknown,” “no major problems,” and “read annual report.”

*Transportation*—considers “transportation issues,” “truck shortage and high fuel costs,” “adequate number of rail cars to ship grain,” “railroad abandonment,” and “timeliness of rail service.”

*Weather*—includes problems related to “drought,” “crop failure due to drought,” “lack of moisture,” “quality of produce,” and “poor quality grain due to wet weather conditions.”

*Members*—problems associated with “membership retention,” “attracting new members,” “lack of participation,” “non-loyalty of members,” “loss of members,” “smaller membership,” and “poor membership support.”

*Low margins*—Involves problems and issues such as “cash flow,” “declining margins,” “profitability,” “availability of funds,” “generating net income,” “lack of earnings in the agricultural industry,” and “getting through another year with minimum losses financially.”

The classification system was used for responses to both questions. This was done to facilitate comparisons between problems identified for the past year and for the near future.

A two-tier methodology is used to report the findings. In the first tier, those problems that account for at least 50 percent of the responses are reported. In the second tier, problems that account for at least an additional 5 percent of the total responses in a specific category are reported. In some cases, when total number of responses in a specific category is small, absolute numbers, rather than percentages, are provided, but only if 10 or more responses are given. Relationships among the problem areas are revealed as well and are described in a summary at the end of each section. Various relationships are illustrated in figure 1.

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## Problems—Past Year—All Cooperatives

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Low commodity prices, the agricultural economy, operational problems, and increasing costs were the most frequently mentioned problems cooperative management faced over the past year (52.1 percent, table 1). Three of these four problem areas—excluding increasing costs—were the most frequently cited by

Figure 1 -- Cooperative Problems Identified

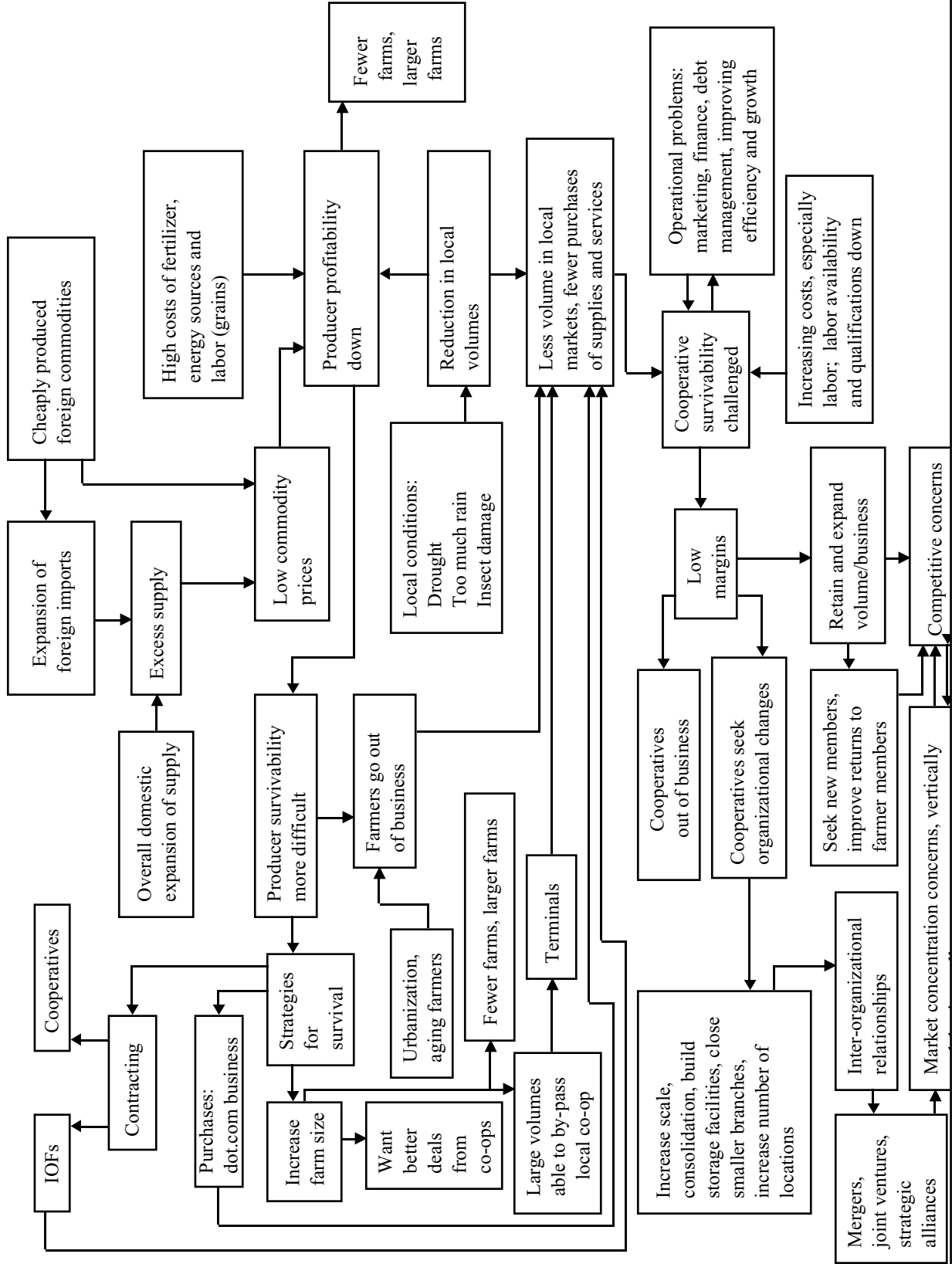


Table 1—Problems cooperative management faced the past year, 2000-01

Problem or issue	Cooperatives		Responses <sup>1</sup>
	Number	Number	Percent
Low commodity prices	225	281	18.8
Agricultural economy	157	199	13.3
Operational	141	165	11.0
Increasing costs	76	135	9.0
Labor	95	124	8.3
Low margins	97	118	7.9
Competition	81	116	7.8
Weather	78	98	6.6
Accounts receivable	32	48	3.2
Government regulations	32	47	3.1
Other	32	35	2.3
Government programs	21	30	2.0
Members	22	28	1.9
Genetically modified crops	17	20	1.3
Technology	12	19	1.3
Transportation	16	17	1.1
Consolidation	13	16	1.1
Total <sup>2</sup>	1,147	1,496	100.0

<sup>1</sup> A number of cooperatives reported more than one problem. The second and third problems listed were included in the total responses. The cooperatives were not asked to give any priority or ranking to the problems reported.

<sup>2</sup> May not add due to rounding.

cooperative managers nationally regardless of their principal product, major function, size of cooperative, or location.

Among the four, low commodity prices, with nearly 20 percent of the responses, was the most often cited. This included low prices for cotton, cottonseed, sweet potatoes, almonds, apples, pears, fresh fruit, milk, sugar, grains, and eggs.

The agricultural economy was the second most often cited problem (13.3 percent). Management was concerned about the “depressed farm economy,” “loss of acreage and farmers,” “the number of dairy farmers quitting business and leaving the farm,” “producer profitability,” “size of farms getting bigger, farmers bypassing local co-op for supplies and sales,” “shrinking agricultural market,” and “too many big farmers.” As a result of the changing structure of agriculture, many cooperatives found their sales and profitability declining.

Cooperative operational problems were the third most frequently cited (nearly 11 percent). Among them were “working capital,” “financing,” “debt management,” “equity management,” “increasing sales,” “marketing,” “acquisition of another company and

adding its operations to ours,” “working through merger,” “loss of feed customers,” “reducing our expenses by closing smaller branches to meet larger farmer needs more competitively,” “understanding and responding to our strengths and weaknesses,” and “identifying and persuading directors to pursue non traditional income opportunities.”

The fourth most often cited problem was increasing costs (9 percent). Nearly one-third mentioned the rising costs of fuel. Others cited increased cost of doing business due to rising labor costs, insurance, supplies and other expenses. Examples of responses included “rising costs, particularly energy,” “high fuel prices causing cash flow problems,” “rising labor costs!” “rising overhead—insurance, health insurance, utilities, etc.,” “increasing costs of operations; labor, repairs, depreciation,” and “construction costs.”

Four additional problem areas—labor, low margins, competition, and weather—were cited but with decreasing frequencies. Labor (8.2 percent) was the fifth most frequently mentioned problem, and in particular “finding and keeping quality employees.” Other labor concerns were “qualified employees that stay and do not expect everything,” “lack of seasonal

employees and rising labor cost,” “employment issues,” “finding qualified employees in rural areas to handle the technical needs of our patrons,” and “effectively managing people to maintain profits.”

Low margins was the sixth most frequently mentioned problem (7.9 percent). Many called the problem one of “shrinking” or “declining margins,” “profitability,” “energy price fluctuations and the negative impact on margins,” and “getting through another year with minimum losses financially.”

A number of cooperatives (7.8 percent of the responses) mentioned competition. This included competition from other cooperatives, from large conglomerates, and from other countries. Responses included “intense competition,” “foreign importation of cottonseed,” “competition from Eastern Canada at very low delivered prices,” “over-supply of imports,” “lower price of import and russet potatoes which resulted in below cost of production return to our growers,” “ability to compete with the conglomerates. Cargill has saturated our area,” “farmers buying and selling direct,” “no large number of wool buyers,” “direct selling of agricultural products to farmers,” and “contracting.”

Weather (6.6 percent of responses) was the eighth most frequently cited problem. Some cooperatives were faced with drought while others encountered excess moisture. As a result, crop production and/or quality were down. Weather responses cited “drought and hail—less cotton to gin,” “farmers plant good quality seed but rain did not come,” “dry years put farmers and gin in hard times,” “poor-quality grain due to wet weather conditions,” “wet fall, poor crop, hard-to-collect accounts,” “slow sales of heating fuel due to warm winter” and “warm/dry winter (resulting in) dry corn at harvest time,” and “reduced LP gas sales and grain drying income.”

None of the other problem areas was cited more than 5 percent of the time. Accounts receivable, for example, was mentioned in only 3.2 percent of the responses. One would have expected this to be higher considering the depressed agricultural economy. However, farmer’s income was supported by payments made through Federal Government programs.

Although Government regulations (3.1 percent) and programs (2 percent) were mentioned as problems, they were cited less frequently. Genetically modified crops (1.3) and technology (1.3 percent) were seldom mentioned by management.

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## Cooperative Function

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RBS classifies cooperatives according to the primary function performed. Function is based upon sales handled by the cooperative, such as commodity marketing or farm supplies. Cooperatives that provide services such as trucking, ginning, and storage are called related-service cooperatives.

### Marketing Cooperatives

Among marketing cooperatives, “low commodity prices,” “operational problems,” “the agricultural economy,” and “competition” were most frequently mentioned (54 percent, table 2). “Low commodity prices” was the most frequently cited (21.4 percent). Operational problems was second followed by the “agricultural economy” and “competition. Four additional problem areas—labor, low margins, weather, and increasing costs—were cited more than 5 percent of the time. These eight problem areas—low commodity prices, operational difficulties, competition, agricultural economy, competition, labor, low margins, and weather—are essentially the same problem areas identified by all cooperatives. However, when the focus is tightened to marketing, “competition” emerges as a more prevalent difficulty, shifting from the seventh (7.8 percent of responses) to the fourth (9.6 percent of responses) most prevalent problem.

There were other minor shifts in positions. For example, “increasing costs” moved down into the second tier of identified problems. “Members” received 3.4 percent of the responses compared with only 1.9 percent for all cooperatives. However, most noteworthy, “low commodity prices,” “operational difficulties,” and the “agricultural economy,” remained at the top of the list of problems, and of these “low commodity prices,” was predominant.

### **Relationships Among Problems: Marketing**

Marketing cooperatives most often cited “low commodity prices” (table 2), but also gave focus to such specific comments as low market prices for “sweet potatoes, almonds, citrus, apples, pears, fresh fruit, sugar, honey, milk and other dairy products, cotton, oil seed, breaker eggs, grain, small grains, livestock, and wool.”

Managers understand low prices, as due to an over-supply of commodities, variously attributed to expanded domestic production, and increased cheaply produced foreign imports. Low prices, in turn, make survival for producers difficult, particularly when cou-

Table 2—Problems cooperative management of marketing cooperatives <sup>1</sup> faced the past year, 2000-01

Problem or issue	Cooperatives		Responses <sup>2</sup>	
	Number	Number	Number	Percent
Low commodity prices	126	150	150	21.4
Operational	85	94	94	13.4
Agricultural economy	52	67	67	9.6
Competition	52	67	67	9.6
Labor	38	55	55	7.8
Low margins	35	43	43	6.1
Weather	34	42	42	6.0
Increasing costs	17	36	36	5.1
Members	20	24	24	3.4
Other	19	20	20	2.9
Genetically modified crops	17	20	20	2.9
Government regulations	12	19	19	2.7
Transportation	16	17	17	2.4
Government programs	11	17	17	2.4
Accounts receivable	8	12	12	1.7
Consolidation	8	11	11	1.6
Technology	6	7	7	1.0
Total	556	701	701	100.0

<sup>1</sup> A cooperative was classified as marketing if 50 percent or more of its marketing and farm supply sales was derived from marketing of one or more farm commodities.

<sup>2</sup> A number of cooperatives reported more than one problem or issue. The second and third problems listed were included in the total responses. The cooperatives were not asked to give any priority or ranking to the problems reported.

pled with increasing costs for fertilizer, fuel, other energy, and other farm inputs. Also contributing were areas of drought, too much rain, and insect damage. Each contributed to a reduction in volumes. Farmers go out of business under such conditions, further reducing volumes delivered to individual cooperatives, and on a more permanent basis.

The theme of farmers going out of business is carried into responses on the agricultural economy. These responses focused on the reduction in the number of farmers, farmland, and local production and the reduced volume of farm products that local cooperatives handle. These concerns are perhaps best captured in the statement: “If the farmers don’t survive, neither will the co-op.” Managers acknowledged that farm sizes have grown larger and with it increased volumes per farm (as numbers of farms have decline). This trend of fewer and larger farms continues the problem of “farmers bypassing local cooperatives for supplies and sales” and going directly to terminals and manufacturers. These dynamics put competitive pressures directly upon cooperatives. At least one manager commented: “being a single location cooperative is too small.”

The power and economy of large scale, either in volume or organizational size and geographic reach, was present in nearly all the responses concerning “competition.” Managers commented on the difficulty of maintaining competitive prices and “loss of market share.” They attributed this not only to “patrons going out of business,” but also to farmers “selling direct to terminals and bypassing the local cooperative,” “selling to 110 car (unit-train) shipping stations,” “contracting production,” and losing sales to the internet, and “dot.com businesses.”

This competition is understood and experienced in an environment of consolidations (mergers, acquisitions, and joint ventures). Managers identified as major problems over the past year: “competition because of mergers and consolidations going on around us,” “the ability to compete with the conglomerates—Cargill has saturated our area,” “competition from large commercial grain firms—ADM, Cargill, etc.,” “regionalization and multi-national takeovers,” and “multi-national companies gaining market share.”

Cooperatives themselves are not exempt from these concerns. Managers cited: “competition by bigger co-ops,” and “competing with larger consolidated



co-ops.” Market power at the retail level comes into play as well, with “retail consolidation,” “dealing with 4 or 5 major buyers (mergers in produce/supermarkets),” and “customers requiring better quality and pay less.” Globalization tends to deepen competitive intensity. Major problems identified included: “over supply of imports,” “southern hemisphere products at prices below domestic producer costs,” “worldwide excess inventory,” “out of country competition,” “competition from Eastern Canada at very low delivered prices,” and “worldwide economy and global market.”

“Low commodity prices,” “the farm economy,” and “competition” are part of the context in which business operations occur. Many of the problems cited were standard “operational” concerns of any business—sales volume, marketing, finance, debt management, operating capital, improving efficiency, equity, and growth management. Others were more specific and reflected managers struggling daily with more encompassing, and contextual problems.

The demands of scale and changing market structure, efficiency, growth, and profitability were evident. For example, organizational scale and market structure changes were present in such “operational” responses as: “making small companies profitable,” “getting more efficient, we closed a feed mill to consolidate grinding and seasonalized a facility,” “reducing expenses by closing smaller branches to meet larger farmer needs more competitively.” Some cooperatives linked responses more generally to the farm economy: “to remain profitable in a drought-stricken area with the current struggling farm economy,” and “building storage facilities too costly in this kind of economic environment.”

Storage needs within a larger environment of excess supply and low prices were particularly evident: “lack of storage space,” “carryover of old crop grain creating storage problems,” “not enough elevator capacity,” and “expansion of storage facilities.” Others struggled with the operational consequences of lack of volume: “lack of drying income,” and “creating volume to produce income.” Improving efficiency and growth emerged frequently given this context; “seeking financial means to expand physical facilities,” “improving efficiency,” “growth—need more members,” and “elimination of inefficient business entities.”

Many linked organizational, financial success, and cooperative survival to the ability to maintain or improve member returns: “business survival and profitability,” “to stay profitable while providing value to the farmers we serve,” “keeping cooperative solvent,”

“providing a good return for our members’ milk sales,” and “maintaining profitable returns for our member/owners.” These responses echo the previous statement: “If the farmers don’t survive, neither will the co-op.”

### **Farm Supply Cooperatives**

“The agricultural economy,” “low commodity prices,” “increasing costs,” and “low margins” were the most frequently cited problems, accounting for 56 percent of the farm-supply cooperative responses (table 3). Five additional problem areas—operational, labor, competition, weather, and accounts receivable—each accounted for at least 5 percent of the responses. These nine identified problems were similar to those identified by all cooperatives and by marketing cooperatives, but with some notable exceptions.

When the focus is tightened from all cooperatives to farm supply cooperatives, “increasing costs” emerged as a more prevalent concern (shifting from 9 percent of all cooperative responses to 12.3 percent of farm supply cooperatives) and to the third most frequent response group. “Operational difficulties” shifts down from 11 percent, and the third most prevalent concern, to 8.8 percent, and into the second tier of problems. Such concerns as “high costs of fuels, rising labor costs, rising expenses, higher input costs, prices causing cash flow problems, and expense control,” were cited with greater frequency by farm supply managers, than managers from all cooperatives generally. Such “operational difficulties” as “business survival and profitability,” “cash flow,” “financing,” “debt management,” “getting more efficient,” “keeping co-op solvent,” and “equity management” were cited less frequently than was found from managers from all cooperatives.

Other changes were less dramatic and represented only minor re-orderings, but “agricultural economy,” “low commodity prices,” and “low margins,” remained among the most frequently cited problems—although “agricultural economy,” and “low commodity prices,” reversed positions in predominance. Respondents in supply cooperatives cited the agricultural economy more often as a problem they had to face in the past year, than any other problem. While “low commodity prices” was the second most often cited, such problems as “declining farm numbers, depressed farm economy, low farm income, and profitability in agricultural production,” were more predominant and first in frequency.

“Labor,” and “weather” recurred in the second tier of both all cooperatives, and farm supply coopera-

Table 3—Problems cooperative management of farm supply cooperatives<sup>1</sup> faced the past year, 2000-01

Problem or issue	Cooperatives		Responses <sup>2</sup>	
	Number	Number	Number	Percent
Agricultural economy	97	121		18.0
Low commodity prices	78	103		15.3
Increasing costs	49	83		12.3
Low margins	57	70		10.4
Operational	47	59		8.8
Labor	44	54		8.0
Competition	24	43		6.4
Weather	31	39		5.8
Accounts receivable	24	36		5.3
Government regulations	17	24		3.6
Technology	6	12		1.8
Government programs	8	11		1.6
Other	9	11		1.6
Consolidation	5	5		0.7
Members	1	2		0.3
Genetically modified crops	-	-		-
Transportation	-	-		-
Total	497	673		100.0

<sup>1</sup> A cooperative was classified as farm supply if 50 percent or more of its sales was derived from the sale of farm inputs such as feed, seed, fertilizer, crop protectants, and petroleum.

<sup>2</sup> May not add due to rounding.

tives. However, accounts receivable was cited more frequently by farm supply managers (increasing from 3.2 to 5.3 percent) while “competition” declined (from 7.8 to 6.4 percent).

When comparing farm supply cooperatives with marketing cooperatives, the differences are greater than when comparing farm supply or marketing to all cooperatives generally. “Operational problems,” and “competition,” the second and third most cited problems by marketing cooperatives, shifted down to second-tier concerns in supply cooperatives. Supply cooperative emphases were more often on “low margins” and “increasing costs” difficulties. Farm supply cooperatives also cited “accounts receivable” in 5.5 percent of their responses, or as the 9th most frequently mentioned problem. However, marketing cooperatives only cited “accounts receivable” in 1.7 percent of their responses, or as the 15th most frequently cited problem.

Marketing and farm supply cooperatives operate in differing markets. Farm supply cooperatives provide feed, seed, fertilizer, crop protectants, petroleum, and other farm production supplies directly to farmers. Marketing cooperatives, on the other hand, market farm-produced commodities to processors, whole-

salers, and retailers. They face very stiff competition and how well they do depends on how effective and efficient management operates the cooperative. Difference in the prevalence of “accounts receivable” may be particularly noteworthy between supply and demand responses. Members sell products to their marketing cooperatives, which in turn pay the members. Farm supply cooperatives sell farm inputs and other service to their members. The members pay their cooperative for services provided. If these farmer-members are not doing well financially, their cooperatives are more likely to have problems with accounts receivable.

### **Relationships Among Problems: Farm Supply Cooperatives**

Managers of farm supply cooperatives—similar to marketing managers—highlighted the relationship between low prices and the agricultural economy: “fewer farmers, commodity prices are depressed,” “low farm income, producers exiting the business,” “farmers going out of business.” Other problems were expressed. The increasing consolidation of farm units was identified—“larger and fewer farmers,” with “bigger operations wanting better deals,” and “bigger

farmers going direct.” “Competition is tight” was mentioned as well, both from “other cooperatives,” and from “IOF competition”—both competing for a smaller number of larger farm customers. However, loss of farmland and farming units was also attributed to urbanization—“loss of farmland to housing and blacktop”—as well as to an aging farm population.

“Increasing costs” was a much more evident comment from farm supply managers. This was understood as a problem for both cooperatives and their farmer-patrons—particularly costs from petroleum and other energy products. Comments were frequently linked to farmer survival: “low crop prices, high fuel prices, farmers selling out.” Scale of market organization (market concentration) and “fuel business competition from big box stores such as Costco, Walmart, and others” was also mentioned.

Many of these problems have become manifest within the cooperative as “tight and shrinking margins and profitability.” Lack of earnings in the agricultural industry,” “loss of farmers,” “problems with accounts receivable,” “loss of sales,” and “high cost of products for resale” can shrink margins and compromise financial health of the organization. These pressures are felt

throughout the cooperative system. Local cooperatives may have to struggle with a double impact of managing their own financial difficulties, plus dealing with “no patronage refunds from GROWMARK,” “poor investments in CENEX,” or the poor financial performance of their regionals.

### Related-Service Cooperatives

Service cooperatives assist in marketing farm products and the sale of farm supplies, and include such activities as cotton ginning, trucking, storage, and transportation. Problems cited were similar to those identified by farm supply and marketing cooperatives—“low commodity prices, weather, increasing costs, labor, operational difficulties, the agricultural economy, and competition. However, they were cited in a much different order of frequency—although “low commodity prices” was again predominant, and accounted for 23 percent of the responses (table 4). Much more prevalent were responses on “weather” (13.9 percent)—“weather conditions, drought, wet weather conditions”—and “labor” (12.3 percent) —“hiring employees, employee issues, labor availability.” Increasing costs was third with 13.1 percent.

Table 4—Problems cooperative management of related-service <sup>1</sup> cooperatives faced the past year, 2000-01

Problem or issue	Cooperatives		Responses <sup>2</sup>	
	Number	Number	Number	Percent
Low commodity prices	21	28	28	23.0
Weather	13	17	17	13.9
Increasing costs	10	16	16	13.1
Labor	13	15	15	12.3
Operational	9	12	12	9.8
Agricultural economy	8	11	11	9.0
Competition	5	6	6	4.9
Low margins	5	5	5	4.1
Government regulations	3	4	4	3.3
Other	4	4	4	3.3
Government programs	2	2	2	1.6
Members	1	2	2	1.6
Accounts receivable	-	-	-	-
Consolidation	-	-	-	-
Technology	-	-	-	-
Genetically modified crops	-	-	-	-
Transportation	-	-	-	-
<b>Total</b>	<b>94</b>	<b>122</b>	<b>122</b>	<b>100.0</b>

<sup>1</sup> Service cooperatives provide services related to the marketing of farm products and the sale of farm supplies. Cooperatives providing cotton ginning, artificial insemination, trucking, storage, and transportation were classified as service cooperatives.

<sup>2</sup> May not add due to rounding.

These four problem areas—low commodity prices, weather, increasing costs, and labor—accounted for 62.3 percent of the responses from related-service cooperatives. “Agricultural economy,” “operational difficulties” and “low margins” shifted down in frequency. Due to a much smaller number of service cooperatives generally, very few responses were offered—less than 10—for each of these categories.

### ***Relationships Among Problems: Related-Service Cooperatives***

The most frequently cited “low price” problems were for “cotton seed,” “cotton,” and “milk prices,” although “low commodity prices” was also offered. The “weather” problems generally related to “drought.” “Labor” referred to costs and availability, as well as qualifications. Various relationships among problem areas were implied. Relationships were most explicit in problem sets: “falling revenues due to drought, low commodity prices, rising energy prices both for gins and producers,” “low commodity prices forcing cutbacks in patrons expenditures,” and “commodity prices, foreign competition, and weather.” Low commodity prices to patrons, in part driven by foreign competition, lack of volume for local cooperatives due to inclement weather, rising costs (mostly energy) expenditures of patrons, and service volumes to cooperatives. Lack of labor availability deepens cooperative difficulty to deliver low cost service to patrons.

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## **Type of Cooperative**

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This section examines marketing and related-service cooperatives more closely in assessing how managers responded to the question: “In the past year, what did your management consider to be the major problem or issues facing your cooperative?” The presentation is limited to those types of cooperatives and problems that included at least 10 responses. This criterion limits the discussion to six types of cooperatives: grain, fruit and vegetable, dairy, wool, sugar, and cotton ginning.

### **Grain Cooperatives**

The four major problem areas—“operational difficulties, low commodity prices, low margins, and the agricultural economy”—accounted for 50.4 percent of the 411 responses offered (tables 5 & 6). An additional three problem areas—weather, labor, and competition—each accounted for less than 10 percent but more

than 5 percent of the responses. These seven problem areas were the most prevalent, and are the same as those identified by marketing cooperatives generally. However, “labor” was more frequently cited (8.8 percent of the time) and “competition” proportionately less so (6.6 percent of the time) by grain cooperatives.

Responses suggest labor availability may be a more frequent problem in areas where grain is produced than in locales specialized in other commodities. These problems included “finding qualified employees in rural areas to handle the technical needs of our patrons,” and “retention of qualified employees.” These shortages may in turn produce conditions for “high labor costs.”

Problems related to “competition” were similar to those for all marketing cooperatives. Scale issues were evident, referring to both farm and market: “large farmers going direct,” and “the ability to compete with conglomerates.” However—unlike marketing cooperatives generally—responses on such issues as “oversupply of imports,” and “out of country competition” were absent. While competition was a frequently cited by grain cooperatives, they tended not to identify issues concerning foreign competition nearly as often as marketing cooperatives.

### **Fruit and Vegetable Cooperatives**

Three problem areas—“low commodity prices, competition, and operational difficulties”—accounted for 56.9 percent of the 93 problems identified by fruit and vegetable cooperatives (tables 5 & 6). “Agricultural economy” was cited in an additional 9.7 percent of the comments. These areas plus the “agricultural economy”—were also the most frequently identified problems by marketing cooperatives. Many specific responses within each of these categories were parallel to those offered by all marketing cooperatives. “Low prices” was predominant along with links to farmer and cooperative survivability: “low prices for fruit are driving farmers out of business,” and “no farmers—no co-op!” Such comments as —“loss of acreage and farmers,” “loss of volume,” and “world-wide economy”—were repeated as well.

Specific differences occurred between comments on “competition” in grain, and “competition” in fruit and vegetable marketing. Evident in fruit and vegetable responses were concerns about foreign competition: “unfair imports,” “competition from Eastern Canada at very low delivered prices,” “oversupply of imports,” “out of the country competition,” and “foreign imports.” These themes were rare in the grain responses.

Table 5—Problems reported by selected type of cooperative in the past year, 2000-01

Problem or issue	Type of cooperative						Total
	Dairy	Fruit & vegetable	Grain	Wool	Sugar	Cotton gin	
	<i>Number</i>						
Low commodity prices	44	19	56	18	14	20	171
Operational	5	15	59	1	2	5	87
Weather	-	6	38	-	2	19	65
Agricultural economy	4	9	44	-	-	4	61
Competition	3	19	27	4	1	5	59
Low margins	2	2	48	2	-	3	57
Labor	2	3	36	-	-	13	54
Increasing costs	3	3	19	-	-	3	28
Transportation	-	2	20	-	-	-	22
Members	10	6	5	1	-	-	22
Genetically modified crops	-	-	17	-	-	-	17
Other	3	4	6	2	-	2	17
Government regulations	-	-	11	-	-	4	15
Consolidation	1	5	5	-	-	-	11
Accounts receivable	-	-	8	-	-	-	8
Government programs	1	-	5	-	1	1	8
Technology	-	-	7	-	-	-	7
Total	78	93	411	28	20	79	709

Table 6—Problems reported by selected type of cooperative for the past year, 2000-01

Problem or issue	Type of cooperative						Cotton gin
	Dairy	Fruit & vegetable	Grain	Wool	Sugar		
	<i>Percent</i>						
Low commodity prices	56.4	20.4	13.6	64.3	70.0	25.3	
Operational	6.4	16.1	14.4	3.6	10.0	6.3	
Weather	-	6.5	9.2	-	10.0	24.1	
Agricultural economy	5.1	9.7	10.7	-	-	5.1	
Competition	3.8	20.4	6.6	14.3	5.0	6.3	
Low margins	2.6	2.2	11.7	7.1	-	3.8	
Labor	2.6	3.2	8.8	-	-	16.5	
Increasing costs	3.8	3.2	4.6	-	-	3.8	
Transportation	-	2.2	4.9	-	-	-	
Members	12.8	6.5	1.2	3.6	-	-	
Genetically modified crops	-	-	4.1	-	-	-	
Other	3.8	4.3	1.5	7.1	-	2.5	
Government regulations	-	-	2.7	-	-	5.1	
Consolidation	1.3	5.4	1.2	-	-	-	
Accounts receivable	-	-	1.9	-	-	-	
Government programs	1.3	-	1.2	-	5.0	1.3	
Technology	-	-	1.7	-	-	-	
Total	100.0	100.0	100.0	100.0	100.0	100.0	

“Operational” problems identified, were typical of other areas such as “working capital,” “increasing sales,” “marketing,” “and growth.”

### **Dairy, Wool and Sugar Cooperatives**

These were the only other marketing cooperatives that provided more than 10 responses in any category (tables 5 & 6). The central issue was “low commodity prices.” In dairy, wool, and sugar, the predominant comment was “low prices.” However, these comments also contained references to larger contextual issues: “lack of patrons selling milk due to the milk price staying so low all year,” “depressed sugar prices and state of agriculture in general,” and “low prices (wool) and producers selling out.”

“Members” was also an issue among dairy cooperatives. Nearly 13 percent of the dairy responses cited problems with loss of members or attracting new members.

### **Cotton Ginning Cooperatives**

Of the 122 responses from related-service cooperatives, 82 or 67.2 percent were from cotton ginning cooperatives (tables 5 & 6). No other service cooperatives—storage, transportation, livestock shipper, rice drier, and artificial insemination—reported more than nine problems. Predominant cotton ginning responses concerned “low commodity prices,” “weather,” and “labor,” and paralleled those reported for service cooperatives generally.

Relationships among these problem areas were evident. Farmers were less profitable due to low prices. Some go out of business reducing volumes to the gin, as do drought and inclement weather. High labor costs cut into financial returns, compromising survivability for farmer and cooperative alike. These themes are evident in such comments as: “low volumes loss to drought, and insects, falling revenues, rising costs of labor, low prices,” “dry years put farmers and the gin in hard times,” and “low commodity prices forcing cutbacks in patron expenditures.”

### ***Relationships Among Problems: Type of Cooperative***

When type of cooperative is highlighted—excluding farm supply—some aspects of the various relationships in figure 1 become more obvious. “Low commodity prices” is evident as a central problem for all types of cooperatives. However, the impact of foreign competition is more focused among fruit and vegetable cooperatives. Competition from cheaply produced foreign fruits and vegetables likely adds to

excess supply, reduces commodity prices, dampens producer profitability, and likely cuts into the market share of domestic cooperatives. However, grain cooperatives tend to be much less concerned with imports. Comments on “labor” are more prevalent. Labor costs, availability, and qualifications are identified as problematic, in that they increase costs and challenge both producer and cooperative survivability. Cotton ginning responses highlighted the impacts of “weather” on the reduction of local volumes, likely dampening producer profitability, and cooperative survivability. “Labor” problems have similar impacts on cotton ginning and grain marketing.

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### **Size of Cooperative**

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The problems currently faced by management were analyzed by size of cooperative, based on marketing and farm supply sales plus service receipts and other income. This total is referred to as revenues.

For all cooperatives, the problem areas identified most often were low commodity prices, the agricultural economy, operational problems, and increasing costs (52.1 percent). Four additional areas—labor, low margins, competition, and weather—each accounted for at least 5 percent of the responses.

“Low commodity prices” and the “agricultural economy” were among the most frequently cited problem areas across size categories (tables 7 & 8). Only cooperatives with revenues of \$500 million and more did not show both of these problem areas among their most frequently cited concerns. Instead, they cited “operational problems” (14.3 percent) and “increasing costs” (10.7 percent) more frequently.

Cooperatives with revenues less than \$10 million showed greater prevalence of alternative problem sets. “Increasing costs” responses were more frequent for the very smallest cooperatives, less than \$2 million in revenue and those with \$5 million to \$9.9 million in revenues. “Weather” was frequently cited by cooperatives with revenues of less than \$5 million, but more than \$1 million. “Competition” responses were more frequent for cooperatives with revenues of \$4 million to \$4.9 million.

Cooperatives with revenues of \$10 million or greater showed less variability in responses offered. “Low commodity prices,” “agricultural economy,” “operational difficulties,” and “low margins” in some combination were the most prevalent responses from these larger organizations. However, “labor” responses were more prevalent for cooperatives with \$15 mil-

**Table 7—Co-ops' response to what management considered to be the major problem or issue facing their co-op the past year, by size of co-op, 2000-01**

Cooperative size	Major problem or issue													Total				
	Accounts receivable	Agricultural economy	Competition	Consolidation	Technology	Genetically Modified crops	Government regulations	Government programs	Increasing costs	Labor	Low commodity prices	Operational	Other		Transportation	Weather	Members	Low Margins
Less than 1	-	13	11	1	-	1	1	5	14	4	37	19	6	1	8	7	3	131
1 - 1.9	6	20	6	-	-	1	5	19	19	6	25	8	5	-	16	2	7	126
2 - 3.9	8	25	13	-	2	8	3	19	19	19	38	19	6	2	20	4	8	194
4 - 4.9	3	18	11	-	2	6	3	5	6	6	23	8	2	-	12	1	3	103
5 - 9.9	15	48	27	-	4	15	8	30	18	18	39	29	4	2	16	2	29	290
10 - 14.9	9	22	14	4	2	5	3	9	16	16	22	17	1	4	3	1	20	152
15 - 24.9	3	20	10	1	5	7	3	14	20	20	35	17	4	4	11	2	19	182
25 - 49.9	4	16	16	5	3	2	3	14	15	15	29	23	3	2	9	3	21	168
50 - 99.9	-	9	3	3	1	-	3	6	17	17	10	13	1	1	2	3	5	77
100 - 499.9	-	6	3	-	-	1	-	2	3	3	15	8	1	1	1	1	2	45
500 and more	-	2	2	2	-	2	-	3	-	-	8	4	2	-	-	2	1	28
<b>Total</b>	<b>48</b>	<b>199</b>	<b>116</b>	<b>16</b>	<b>19</b>	<b>20</b>	<b>47</b>	<b>30</b>	<b>135</b>	<b>124</b>	<b>281</b>	<b>165</b>	<b>35</b>	<b>17</b>	<b>98</b>	<b>28</b>	<b>118</b>	<b>1,496</b>

**Table 8—Co-ops' total response to what management considered to be the major problem or issue facing their co-op the past year, by region of the U.S., 2000-01**

Cooperative size	Major problem or issue														Total			
	Accounts receivable	Agricultural economy	Competition	Consolidation	Technology	Genetically Modified crops	Government regulations	Government programs	Increasing costs	Labor	Low commodity prices	Operational	Other	Transportation		Weather	Members	Low Margins
	Number																	
Less than 1	-	9.9	8.4	0.8	-	0.8	0.8	3.8	10.7	3.1	28.2	14.5	4.6	0.8	6.1	5.3	2.3	100.0
1 - 1.9	4.8	15.9	4.8	-	-	0.8	4.0	15.1	4.8	4.8	19.8	6.3	4.0	-	12.7	1.6	5.6	100.0
2 - 3.9	4.1	12.9	6.7	-	1.0	-	1.5	9.8	9.8	9.8	19.6	9.8	3.1	1.0	10.3	2.1	4.1	100.0
4 - 4.9	2.9	17.5	10.7	-	1.9	-	2.9	4.9	5.8	5.8	22.3	7.8	1.9	-	11.7	1.0	2.9	100.0
5 - 9.9	5.2	16.6	9.3	-	1.4	1.4	5.2	2.8	10.3	6.2	13.4	10.0	1.4	0.7	5.5	0.7	10.0	100.0
10 - 14.9	5.9	14.5	9.2	2.6	1.3	3.3	2.0	-	5.9	10.5	14.5	11.2	0.7	2.6	2.0	0.7	13.2	100.0
15 - 24.9	1.6	11.0	5.5	0.5	2.7	3.8	3.8	1.6	7.7	11.0	19.2	9.3	2.2	2.2	6.0	1.1	10.4	100.0
25 - 49.9	2.4	9.5	9.5	3.0	1.8	1.2	-	1.8	8.3	8.9	17.3	13.7	1.8	1.2	5.4	1.8	12.5	100.0
50 - 99.9	-	11.7	3.9	3.9	1.3	-	3.9	-	7.8	22.1	13.0	16.9	1.3	1.3	2.6	3.9	6.5	100.0
100 - 499.9	-	13.3	6.7	-	-	2.2	2.2	-	4.4	6.7	33.3	17.8	2.2	2.2	2.2	2.2	4.4	100.0
500 and more	-	7.1	7.1	7.1	-	-	7.1	-	10.7	-	28.6	14.3	7.1	-	-	7.1	3.6	100.0
Total	3.2	13.3	7.8	1.1	1.3	1.3	3.1	2.0	9.0	8.3	18.8	11.0	2.3	1.1	6.6	1.9	7.9	100.0



lion to \$24.9 million in revenues. “Increasing costs” were cited with increased frequency by cooperatives with \$50 million to \$99.9 million, and those with more than \$1 billion in revenues.

When these alternative problem sets—“increasing costs, weather, competition, and labor”—were mentioned more frequently, such problems as “operational difficulties,” and/or “low margins” tended to shift down. “Increasing cost” tended to shift up most often, followed by “weather,” “competition,” and “labor.”

### **Relationships Among Problems: Size of Cooperative**

“Low margins,” “increasing costs,” “low commodity prices,” and size of cooperative are all interrelated. If a cooperative is struggling with low margins, margins can sometimes be improved by increasing prices and/or lowering costs. Two of the most prevalent problems mentioned generally were “low commodity prices” and “low margins.” In a market of pervasively low prices and thin margins, a rise in costs can be particularly problematic. The cooperative can not raise prices and will likely find it difficult to cut costs in a larger climate of increasing costs. Even maintaining margins may be difficult. These difficulties may be more ominous for smaller cooperatives. A larger-size cooperative, struggling with low margins, may be able to spread increasing costs over its greater volume, thereby maintaining or improving its survivability. Smaller cooperatives have less room by volume to spread costs, and in an environment of declining prices, may find it more difficult to maintain margins.

“Weather” was also cited more frequently in the smaller cooperatives. Weather problems reduced volumes, which compound difficulties of maintaining margins. The “competition” problems of smaller cooperatives may only deepen these dynamics of size and the disadvantages of smaller cooperatives.

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## **Region of the Country**

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Problems faced by cooperative during the past year were analyzed within 10 regions of the country—Appalachian, Corn Belt, Delta States, Lake States, Mountain, Northeast, Northern Plains, Pacific, Southeast, and Southern Plains. The States included in each region are shown as a footnote in tables 9 and 10.

The problem areas identified most often by all cooperatives were “low commodity prices, the agricul-

tural economy, operational problems, and increasing costs.” Four additional areas—“labor, low margins, competition, and weather”—were also cited.

With some reordering in frequency, these eight problem areas were also found the most often cited within each region. “Low commodity prices” and “the agricultural economy” were among the most frequently mentioned in each region. However, “operational problems” and “increasing costs” shifted down variously in each region, and at least one problem set—“labor, weather, competition, and low margins”—shifted up in emphasis.

In the **Corn Belt**—“low commodity prices, the agricultural economy, operational difficulties, and low margins”—were the most frequently cited (49.9 percent of 303 responses). Price comments cited “low grain, milk, and commodity prices,” and “low prices” generally. “Agricultural economy” comments highlighted loss of volume due to reduced farm income, farmers going out business, or farmers selling direct. The impact of “low prices” and “agricultural economy” were reflected in “low margins” statements as—“profitability, shrinking margins, total profitability of business and customers, smaller market—cash flow.” Comments about “operational difficulties” reflected problems concerning survival strategies, e.g. “business survival and profitability, merging two companies, to stay profitable while providing value to the farmers we serve, updating agronomy and grain services and reducing our expenses by closing smaller branches to meet larger farmer needs more competitively.”

“Low margins” dropped in frequency, and out of the first tier of problems cited, in the Northern Plains, Pacific, Southeast, and the Appalachian regions.

For example, in the **Northern Plains**, both “increasing costs,” and “labor,” replaced problems of “low margins.” “Low commodity prices,” “agricultural economy,” “increasing costs,” and labor accounted for 57.4 percent of the 328 problems cited. “Low prices” and “agricultural economy” involved problems similar to those cited in the Corn Belt region—although problems with sugar prices were more evident, while milk prices were less so. The “increasing costs” problem set predominantly involved “high energy prices and high petroleum prices.” “Labor” problems generally referred to availability of reliable and qualified help, although cost of labor was also cited. “Operational difficulties” were similar to Corn Belt responses and referred to survival e.g.—“staying profitable, finding home for poor quality grain, and identifying and urging directors to pursue nontradi-

**Table 9—Co-ops' total response to what management considered to be the major problem or issue facing their co-op the past year, by region of the U.S., 2000-01**

Region <sup>1</sup>	Major problem or issue														Total			
	Accounts receivable	Agricultural economy	Competition	Consolidation	Technology	Generally Modified crops	Government regulations	Government programs	Increasing costs	Labor	Low commodity prices	Operational	Other	Transportation		Weather	Members	Low Margins
	Number																	
Appalachian	1	11	4	-	-	-	5	2	7	10	11	1	1	-	5	3	2	62
Corn Belt	11	39	23	6	7	18	-	22	31	32	43	7	7	4	14	1	37	303
Delta States	3	8	6	-	2	-	2	11	2	20	6	2	2	1	4	-	2	69
Lake States	10	45	13	-	5	1	3	24	15	52	20	5	5	-	5	4	34	240
Mountain	2	12	8	3	2	-	2	10	11	27	9	3	3	-	-	3	5	99
Northeast	1	8	9	1	-	-	-	4	7	24	4	2	2	-	3	6	1	72
Northern Plains	14	37	27	2	3	1	9	31	30	53	36	5	5	10	24	3	23	327
Pacific	2	22	19	3	-	-	6	17	7	25	23	4	4	2	5	6	5	152
Southeast	2	4	3	1	-	-	1	3	1	6	4	2	2	-	8	2	2	39
Southern Plains	2	13	4	-	-	-	2	11	13	32	9	4	4	-	30	-	7	133
<b>Total</b>	<b>48</b>	<b>199</b>	<b>116</b>	<b>16</b>	<b>19</b>	<b>20</b>	<b>30</b>	<b>135</b>	<b>124</b>	<b>281</b>	<b>165</b>	<b>35</b>	<b>35</b>	<b>17</b>	<b>98</b>	<b>28</b>	<b>118</b>	<b>1,496</b>

<sup>1</sup> Region and the States included:

Northeast	ME, NH, VT, NY, MA, RI, CT, PA, NJ, DE, MD, and DC	Appalachian	VA, WV, KY, TN, and NC
Lake States	MI, WI, and MN	Delta States	MS, LA, and AR
Corn Belt	OH, IN, IL, IA, and MO	Southern Plains	OK and TX
Northern Plains	ND, SD, NE, and KS	Mountain	MT, ID, WY, CO, UT, NV, AZ, and NM
Southeast	SC, GA, AL, and FL	Pacific	WA, OR, CA, HI, and AK

**Table 10—Co-ops' total response to what management considered to be the major problem or issue facing their co-op the past year, by region of the U.S., 2000-01**

Region	Major problem or issue														Total			
	Accounts receivable	Agricultural economy	Competition	Consolidation	Technology	Genetically Modified crops	Government regulations	Government programs	Increasing costs	Labor	Low commodity prices	Operational	Other	Transportation		Weather	Members	Low Margins
	Percent of total																	
Appalachian	1.6	17.7	6.5	-	-	-	-	8.1	3.2	11.3	16.1	17.7	1.6	-	8.1	4.8	3.2	100
Corn Belt	3.6	12.9	7.6	2.0	2.3	5.9	2.6	-	7.3	10.2	10.6	14.2	2.3	1.3	4.6	0.3	12.2	100
Delta States	4.3	11.6	8.7	-	2.9	-	-	2.9	15.9	2.9	29.0	8.7	2.9	1.4	5.8	-	2.9	100
Lake States	4.2	18.8	5.4	-	2.1	0.4	1.7	1.3	10.0	6.3	21.7	8.3	2.1	-	2.1	1.7	14.2	100
Mountain	2.0	12.1	8.1	3.0	2.0	-	2.0	2.0	10.1	11.1	27.3	9.1	3.0	-	-	3.0	5.1	100
Northeast	1.4	11.1	12.5	1.4	-	-	2.8	-	5.6	9.7	33.3	5.6	2.8	-	4.2	8.3	1.4	100
Northern Plains	4.3	11.3	8.3	0.6	0.9	0.3	5.8	2.8	9.5	9.2	16.2	11.0	1.5	3.1	7.3	0.9	7.0	100
Pacific	1.3	14.5	12.5	2.0	-	-	3.9	3.9	11.2	4.6	16.4	15.1	2.6	1.3	3.3	3.9	3.3	100
Southeast	5.1	10.3	7.7	2.6	-	-	-	2.6	7.7	2.6	15.4	10.3	5.1	-	20.5	5.1	5.1	100
Southern Plains	1.5	9.8	3.0	-	-	-	4.5	1.5	8.3	9.8	24.1	6.8	3.0	-	22.6	-	5.3	100
<b>Total</b>	<b>3.2</b>	<b>13.3</b>	<b>7.8</b>	<b>1.1</b>	<b>1.3</b>	<b>1.3</b>	<b>3.1</b>	<b>2.0</b>	<b>9.0</b>	<b>8.3</b>	<b>18.8</b>	<b>11.0</b>	<b>2.3</b>	<b>1.1</b>	<b>6.6</b>	<b>1.9</b>	<b>7.9</b>	<b>100</b>

tional income opportunities.” However, unlike Corn Belt concerns, comments about mergers and farmers going out of business were less prevalent.

In the **Pacific region** “competition” replaced “low margins” as one of the most prevalent comment areas. “Low commodity prices,” “operational difficulties,” “agricultural economy,” and “competition” accounted for 58.5 percent of the 158 responses. “Low prices” in general and specifically for “almonds, sugar, cotton, and grain” were cited. However, the predominant comment was on prices of various kinds of fruit.

Comments in the agricultural economy included citations on “loss of local production,” “less farmers,” “lack of disposable income from farmers,” and problems in the “worldwide economy. “Operational difficulties” tended to be generalized comments that included: “working capital,” “poor management of co-op,” “increasing sales,” “growth,” and “unstable interest rates,” plus “improving the return to member growers.” “Competition” comments predominantly involved import issues, and included such comments as “foreign importation of cotton seed,” “the domestic sales of Southern Hemisphere pears,” “flower imports,” “competition from other countries,” plus “market competition” and “competition from large national dealers in the retail business.” There were only five comments on “low margins” and two of these referred to competition—“declining margins due to increased competition.”

In the **Southeast region**, “weather” (drought) replaced “low margins” as one of the areas of greatest concern. “Weather,” “low commodity prices,” “agricultural economy,” and “operational difficulties” accounted for 56.5 percent of the 39 responses. However, no single problem area—including “weather”—garnered more than 8 responses.

In the **Appalachian region**, “the agricultural economy,” “operational difficulties,” and “low commodity prices,” accounted for 51.5 percent of the 62 responses. Price comments referred to “low commodity prices” generally, but also low prices for grain, milk, beef, and wool. “Agricultural economy” comments were similar to those from other regions and included: “declining cow numbers,” “declining numbers of dairymen and hog producers,” “loss of farmland to development,” and “shrinking farm economy.” “Operational” problems related to cooperative survival—“seeking financial means to expand physical facilities,” “equity management, growth management,” “market challenges created due to industry

consolidation,” and “lack of income producing sales/service growth.” No other problem area accounted for more than 7 responses.

In the **Lake States**, “operational difficulties” dropped in frequency and out of the first tier of problems cited. “Low commodity prices,” “agricultural economy,” and “low margins,” accounted for 54.7 percent of the 240 responses. “Increasing costs,” was a fourth problem, garnering an additional 10.1 percent of the responses.

As in other regions, “low prices” was offered generally as a problem, although “low milk prices” predominated. There were also low prices comments for “sugar, apples, and grain.”

Responses on the “agricultural economy” were similar to other regions—“farmers going out of business,” “low farm income,” “decreasing farm numbers and a consolidating industry, thus resulting in a significant loss in our customer base.” “Low margins” was offered more frequently, than “operational” or “increasing costs” issues. Although “increasing costs” concerns were more evident than “operational concerns” and predominantly reflected problems with “high energy” and “high fuel prices.”

Both “operational difficulties” and “low margins” dropped in frequency, and out of the first tier of problems cited in the Southern Plains, Delta, Mountain, and Northeast regions.

In the **Southern Plains**, “low commodity prices,” “weather,” and “the agricultural economy” accounted for 56.5 percent of the 133 responses. “Cotton” and “cottonseed prices” were frequently mentioned, along with “low grain prices.” “Weather” comments related to “drought and low prices for commodities produced.” The “agricultural economy” comments were similar to other regions, e.g., “not enough profit to the farmer” and “lack of farmer production”—although there were fewer comments on farmers going out of business. No other problem area drew more than 9 comments.

“Operational problems” and “low margins” dropped in frequency, and from the first tier of cited problems in **Delta region**. “Low commodity prices,” “increasing costs,” and “agricultural economy” accounted for 56.5 percent of the 69 responses. However, the “agricultural economy” garnered just 8 responses. Concerns were typical of the other regions, i.e. “farmers going out of business,” “decrease in production,” and “farm industry declining.” Among the 20 “low prices” comments, areas most commented on were: “cottonseed prices,” “grain prices,” “low wool prices,” and “poor prices” generally. “Increasing cost”

comments addressed such concerns as “cost of supplies,” “high fuel prices,” “increasing labor costs,” and “holding down expenses.”

“Low commodity prices,” “the agricultural economy,” and “labor” accounted for 50.5 percent of the 99 **Mountain region** responses. “Increasing costs” accounted for an additional 10 responses. Comments on price included “low prices” and “low sugar, milk, and wool prices.” The 12 “agricultural economy” comments addressed “loss of acreage and farmers,” “depressed state of the entire ag economy,” “customer’s cash flow problems.” Lack of qualified labor also was a concern.

“Low prices,” “competition,” and the “agricultural economy” accounted for 55.5 percent of the 72 responses from the **Northeast**. Most comments cited “low commodity prices” and “milk prices” as most prevalent. “Competition” with 9 responses mentioned “oversupply of imports,” “Canadian competition,” “and the “lack of wool buyers.” No other problem area garnered more than 9 responses.

### ***Relationship Among Problems: Region***

“Low commodity prices, and agricultural economy” were among the most frequently cited problems across each region. “Operational problems, low margins, labor, weather, competition, and increasing costs also were cited, depending upon the region. Pervasive low commodity prices and a declining agricultural economy (and declining volumes) set a continuing context for most agricultural cooperatives in all regions.

Cooperatives must maintain positive margins to survive. “Margins” tend to reflect the culmination of many forces impinging on the cooperative, both from within as well as outside of the organization. When businesses must accept low prices, they may decrease costs, spread margins over greater volumes, improve productivity, and make operational adjustments, e.g., develop other products, expand sales, merge and consolidate, control inventory, and/or improve efficiency. How easily a firm may make some of these adjustments is in turn affected by its competition.

Beyond low prices and a declining agricultural economy, Corn Belt respondents identified low margins and operational difficulties as frequent concerns. Northern Plains respondents cited increasing costs and the costs and productivity of labor. Competition and operational difficulties were among the most often mentioned in the Pacific region. In the Southeast region, weather and operational difficulties were most evident. In the Appalachian region, it was operational

difficulties, low margins were frequently cited in the Lake States, weather in the Southern Plains, increasing costs in the Delta region, labor in the Mountain States region, and competition in the Northeast.

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## **Summary of Problems**

### **Identified—Past year**

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Cooperatives identified low commodity prices as the predominant and major problem during their most recent year of operation (2000.) Low commodity prices were understood as due to excess supply from domestic production as well as expansion of cheaply produced foreign imports. Producer survivability was understood as compromised by these low prices, increasing costs, and reductions in local volumes due to weather and insect damage.

These conditions force some farmers out of business, while others leave due to urbanization and retirement. Many seek to stay in farming by expanding the size of their production units, buying over the internet, contracting with cooperatives and investment firms, seeking better deals from cooperatives, and selling direct to terminals. These conditions challenge cooperative survivability. Cooperatives must contend with low market prices in highly competitive markets, increasing costs, and reduced local volumes due to farmers going out of business, farmer contracting with investment firms, and farmers bypassing local cooperatives and going direct to terminals.

This context contributes to various cooperative operational problems—marketing, finance, debt, improving efficiency and growth. Some cooperatives attempt to survive by seeking to retain and expand their business volumes, helping farmer-members stay in business, seeking new members, and making organizational changes. Others may be forced to close.

Many cooperatives make organizational changes, increase scale and build storage facilities. Some consolidate and/or close smaller branches, while others increase the number of operating locations. Some seek inter-organizational relationships via mergers, joint ventures, and strategic alliances.

These dynamics are occurring within the context of concentrating markets and the deepening power and increasing scale of competing multinational firms. Market shares become more precious as firms compete for the volume and sales of a smaller number of larger farms.

## Problems and Issues—Near Future

There were 1,128 responses to the question (36.9 percent): “What does your management see as the major problem or issue facing your cooperative in the next year or two?” The same categories as in “past year” were used. The character of the responses changed little from “past year” to the “near future.” What did change was the order of frequency in the responses—“agricultural economy” became more prevalent and “low commodity prices” were less emphasized.

This section presents “near future” responses for all cooperatives, and cooperatives sorted by principal product, major function, size of cooperative, and regional location. Comparisons are made to “past year” responses.

### All Cooperatives

The “agricultural economy, low commodity prices, operational problems, and increasing costs” were the most frequently mentioned problems managers see facing their cooperative in the near future (nearly 53.4 percent of the 1,565 responses) (table 11). The “agricultural economy” was identified most often

(17.8 percent) as the major problem cooperative management expected to face in the near future. Low commodity prices (15.5 percent), operational problems (10.2 percent), and increasing costs (9.9 percent) were next.

A second tier of major problem areas included “competition, low margins, and labor” and ranged from 8.7 percent to 7.2 percent of the comments. Other comments cited were “weather, accounts receivable, Government regulations, Government programs, and members” but each accounted for less than 5 percent of the total number of responses.

The character of responses offered for “the next year or two” (the near future) varied little from those given for “the past year.” However, the frequency of responses offered shifted (table 1 and table 11).

“Low commodity prices” was cited less often, moving from 18.8 percent to 15.5 percent of the responses, while “the agricultural economy” shifted up to 17.8 percent from 13.3 percent. Respondents may have been hopeful of better prices in the future, although continued to be aware of ongoing structural concerns—“the continuing trend toward larger farmers,” “lack of production,” and “increase of large integrated livestock companies.” Similar to “prices,”

Table 11—Problems cooperative management sees facing them in the near future, 2001-02

Problem or issue	Cooperatives		Responses <sup>1</sup>	
	<i>Number</i>		<i>Number</i>	<i>Percent</i>
Agricultural economy	220		278	17.8
Low commodity prices	175		242	15.5
Operational	136		159	10.2
Increasing costs	89		155	9.9
Competition	99		136	8.7
Low margins	87		113	7.2
Labor	71		113	7.2
Weather	42		61	3.9
Technology	36		54	3.5
Government regulations	33		55	3.5
Government programs	21		36	2.3
Accounts receivable	21		35	2.2
Other	28		34	2.2
Members	22		32	2.0
Consolidation	17		25	1.6
Genetically modified crops	19		22	1.4
Transportation	12		15	1.0
<b>Total</b>	<b>1,128</b>		<b>1,565</b>	<b>100.0</b>

<sup>1</sup> A number of cooperatives reported more than one problem. The second and third problems listed were included in the total responses. Respondents were not asked to give any priority or ranking to the problems reported.

respondents may be hopeful of better “weather.” Weather concerns accounted for less than 5 percent of the “near future” responses.

Respondents showed less frequent concern with prices and the weather, more frequent acknowledgment of major structural difficulties of the agricultural economy, and greater concern about “competition.” However, “low commodity prices, agricultural economy, operational difficulties, increasing costs, labor, low margins, competition,” and “weather problems” were expected to continue in the “near future”—although “weather” less so.

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## Cooperative Function

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Near-future problems are presented for marketing, farm supply, and related-service cooperatives.

### Marketing Cooperatives

Four problem sets—“low commodity prices, agricultural economy, operational difficulties, and competition”—accounted for 53.5 percent of the 733 responses (table 12). “Increasing costs,” “labor,” and “low margins” were cited as additional problems areas (each accounted for at least 5 percent of the responses).

These 7 problem sets were the same “near future” problems identified by all cooperatives (table 11). They were also similar to the “past year” concerns of marketing cooperatives, although “increasing costs” shifted to a much more frequent worry of the “near future” (table 2, table 12). As with all cooperatives, concerns with the “agricultural economy” gained greater prominence, although “low commodity prices” remained of paramount concern.

When marketing-cooperative respondents shifted their focus from “previous year concerns” to the “near future,” they found the same general issues troublesome, but gave greater acknowledgement to the “agriculture economy” and “increasing costs.” These shifts in focus have occurred in a context of “low commodity prices.” “Low commodity prices” coupled with expectations of “increasing costs” may in turn contribute to worries of “low margins.” These concerns are likely deepened with worries about “competition,” and may shift respondent focus to such concerns as “operational” strategies as “increase sales and decrease expenses,” “keeping our market share,” “growth,” “diversifying the cooperative,” and “improving efficiency.”

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Table 12—Problems management sees facing marketing cooperatives in the near future, 2001-02

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Problem or issue	Cooperatives		Responses <sup>1</sup>
	<i>Number</i>	<i>Number</i>	<i>Percent</i>
Low commodity prices	94	122	16.6
Agricultural economy	71	101	13.8
Operational	81	91	12.4
Competition	60	76	10.7
Increasing costs	26	50	6.8
Labor	28	43	5.9
Low margins	33	40	5.5
Weather	21	32	4.4
Technology	20	28	3.8
Members	18	25	3.4
Government programs	15	23	3.1
Government regulations	15	22	3.0
Genetically modified crops	18	21	2.9
Other	19	20	2.7
Consolidation	12	16	2.2
Transportation	12	15	2.0
Accounts receivable	4	8	1.1
<b>Total</b>	<b>547</b>	<b>733</b>	<b>100.0</b>

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<sup>1</sup> A number of cooperatives reported more than one problem. The second and third problems listed were included in the total responses. Respondents were not asked to give any priority or ranking to the problems reported.

## Farm Supply Cooperatives

“The agricultural economy,” “low commodity prices,” “increasing costs,” and “low margins” were the most frequently cited problems (57.1 percent of the 690 responses) on “near future” concerns (table 13). The predominant concern was the “agricultural economy.” The character of the responses differed little from those cited for “previous year,” e.g., “loss of farmland, poor agricultural economy and shrinking market, the way farming is quickly slipping away.” However, more than one-quarter (26.2 percent) of the supply-cooperative responses were of this problem area. The second most prevalent area, “low commodity prices,” accounted for just 12.9 percent. These cooperatives were keenly aware of and frequently acknowledged the structural difficulties of the larger agricultural economy and anticipated that as a continuing problem.

Within the context of a “declining agricultural economy,” continuing “low commodity prices,” as well as “increasing input and energy costs,” these cooperatives anticipated “low margins” and “operational difficulties.” Anticipated “competition” and problems with “cost and availability of labor” would likely deepen “low margins” and “operational” problems.

While emphases varied, and with the exception of “weather” and “accounts receivable,” these results differed little from “past year” responses (table 3). “Weather” drew just 2 percent of “near future” problems, versus 5.8 percent of “past year” concerns. “Accounts receivable” dropped from 5.3 percent of “past year” comments, to 3.6 percent of the “near future” ones. Better weather and fuller payments may be anticipated.

The predominance of “agricultural economy” comments, suggests these cooperatives anticipate deepening and continuing structural problems. “Low commodity prices” was mentioned less frequently as a future problem (12.9 percent versus 15.3 percent). “Low commodity prices” may seem of less direct concern—although important—when anticipating the future than a continued decline in the number of farmer-members capable of making purchases.

## Related-Service Cooperatives

Five problem sets—“low commodity prices, agricultural economy, increasing costs, labor, and operational difficulties”—accounted for 59.9 percent of the 142 responses from service cooperatives (table 14). One additional concern—“weather”—garnered 13 responses. The same problem areas were identified for both

Table 13—Problems management sees facing farm supply cooperatives in the near future, 2001-02

Problem or issue	Cooperatives		Responses <sup>1</sup>
	Number	Number	Percent
Agricultural economy	133	154	22.3
Low commodity prices	60	89	12.9
Increasing costs	48	80	11.6
Low margins	52	71	10.3
Labor	34	58	8.4
Operational	46	56	8.1
Competition	35	55	8.0
Technology	16	26	3.8
Government regulations	15	26	3.8
Accounts receivable	16	25	3.6
Weather	10	14	2.0
Government programs	6	11	1.6
Other	7	11	1.6
Consolidation	5	9	1.3
Members	3	4	0.6
Genetically modified crops	1	1	0.1
Transportation	-	-	-
Total	487	690	100.0

<sup>1</sup> A number of cooperatives reported more than one problem. The second and third problems listed were included in the total responses. Respondents were not asked to give any priority or ranking to the problems reported.



past and future periods. However, the frequency of the comments varied between past and future (table 14, table 4).

“Low commodity prices” was predominant in both periods. However the “agricultural economy” shifted from 9 percent of “past year” comments to 16.2 percent of “near future comments. This is a shift from the sixth most frequent comment, to second. “Weather” dropped from 13.9 percent of the comments, to 9.2 percent, and is a shift from second to sixth.

In providing daily services, cooperatives may be most troubled by prices, disruptions of the weather and labor difficulties. When they contemplate the “near future,” impacts from, “decline in the number of farmers and farmland,” “reductions in volume,” and “low farm income” may seem more imminent and troublesome.

### **Relationships Among Problems: Cooperative Function**

“Near future” problems were similar to “past year” concerns although they differed in order of frequency. While less prevalent, “low commodity prices” continued to be a predominant problem for marketing, farm supply, and related-service cooperatives. More evident were concerns about the declining agricultural economy, loss of farmers, farmland, and production.

Marketing cooperatives more frequently cited “operational difficulties” and “competition.” In a context of low prices, declining numbers of farmers and

production, marketing cooperatives may plan to expand sales and markets, recruit new and larger members, or at a minimum, maintain current market share. Intense competition from larger organizations, such as ADM and Cargill, as well as large cooperatives, may make these plans difficult, and raise various other “operational” questions for future survival.

As with marketing, farm supply cooperatives frequently identified “agricultural economy”, and “low prices.” However, farm supply cooperatives commented on “low margins” more often, rather than on “operational” and “competitive” concerns. With farmers going out of business, low prices, and farmers not able to pay bills, many supply cooperatives may not be able to maintain margins—“loss of sales, lacking of earnings in the agricultural industry and high cost of products for resale.”

Related-service cooperative respondents also identified “low prices,” and the “agricultural economy,” but also “increasing costs” as major problems. With low prices and a history of declining volumes due to poor weather, as well as losses in farming, respondents may most often worry about increasing costs.

With marketing and supply functions, various tensions between the environment of the cooperative and its organization become evident. With marketing cooperatives, respondents identified “operational difficulties” (and adjustments) within a larger context of the “agricultural economy,” “competition,” and “low prices.” With farm supply cooperatives, respondents

Table 14—**Problems management sees facing related-service cooperatives in the near future, 2001-02**

Problem or issue	Cooperatives		Responses <sup>1</sup>
	Number	Number	Percent
Low commodity prices	21	24	16.9
Agricultural economy	16	23	16.2
Increasing costs	15	19	13.4
Labor	9	19	13.4
Operational	9	18	12.7
Weather	11	13	9.2
Government regulations	3	7	4.9
Competition	4	5	3.5
Other	2	4	2.8
Members	1	4	2.8
Low margins	2	4	2.8
Accounts receivable	1	2	1.4
<b>Total</b>	<b>94</b>	<b>142</b>	<b>100.0</b>

<sup>1</sup> A number of cooperatives reported more than one problem. The second and third problems listed were included in the total responses. Respondents were not asked to give any priority or ranking to the problems reported.

identified “low margins” within a larger context of the “agricultural economy” and “low commodity prices.” Related-service cooperative respondents cited low prices, agricultural economy, and increasing costs. All three are external to the firm, although the prevalence of “increasing costs” suggests “costs” are particularly worrisome for many respondents. When respondents shifted focus to the “near future,” larger structural comments became more prevalent.

## Type of Cooperative

This section examines specific marketing and service cooperatives more closely in assessing how managers responded to the question: “What does your management see as the major problem or issue facing your cooperative in the next year or two (near future)?” This presentation is limited to those types of cooperatives —grain, fruit and vegetables, dairy, wool, and cotton ginning—that offered at least 10 comments in any problem area.

### Grain Cooperatives

Five major problem areas were identified by 51.5 percent of the 431 respondents—“agricultural econo-

my, operational difficulties, low commodity prices, increasing costs, and competition” (table 15). Four additional problem areas—“low margins, labor, technology, and weather”—each accounted for at least 5 percent of the responses. These are the same problem areas that were identified in “the past year” grain comments, with the exception of “technology.” It accounted for 6.3 percent of the “near future” responses, versus just 1.9 percent of “past year” comments.

However, the order of frequency between “past year” and “near future” comments differed. “Operational difficulties” (11.8 percent) and “low commodity prices” (11.4 percent) were the most prevalent comments in both periods (table 15, table 5, table 6). “Low margins,” “labor,” and “weather” comments shifted down in frequency when grain respondents considered the “near future.” They accounted for 7.9, 7.7, and 5.6 percent, respectively, of the 431 “near future” responses, and 9.5, 10.4, and 7.5 percent, respectively, of the 412 “past year” responses. Having survived a drought, respondents may be more hopeful of better weather, or at least less immediately concerned about next year’s weather. “Low margins” may follow a similar pattern. Grain respondents more often expressed concerns about influences on future margins (e.g., increasing costs) and less frequently on “mar-

Table 15—Problems management sees facing grain marketing cooperatives in the near future, 2001-02

Problem or issue	Cooperatives		Responses <sup>1</sup>	
	Number	Number	Number	Percent
Agricultural economy	40	51	51	11.8
Operational	45	51	51	11.8
Low commodity prices	34	49	49	11.4
Increasing costs	18	36	36	8.4
Competition	26	35	35	8.1
Low margins	27	34	34	7.9
Labor	22	33	33	7.7
Technology	19	27	27	6.3
Weather	16	24	24	5.6
Genetically modified crops	18	21	21	4.9
Government regulations	9	15	15	3.5
Government programs	7	13	13	3.0
Transportation	10	13	13	3.0
Consolidation	6	9	9	2.1
Members	7	8	8	1.9
Accounts receivable	3	7	7	1.6
Other	5	5	5	1.2
<b>Total</b>	<b>312</b>	<b>431</b>	<b>431</b>	<b>100.0</b>

<sup>1</sup> A number of cooperatives reported more than one problem. The second and third problems listed were included in the total responses. Respondents were not asked to give any priority or ranking to the problems reported.

gins” themselves. Moving up in frequency, to accompany the continued prevalence of “low prices” and “operational difficulties,” were the “agricultural economy,” “increasing costs,” and “competition.” They accounted for 11.8, 8.4, and 8.1 percent, respectively, of the “near future” responses, and 8.5, 6.1, and 7.3 percent, respectively, and “past year” responses.

### Summary

In a market of pervasively low prices, increasing costs can be particularly problematic for maintaining or improving margins. Problems with “competition”—“multi-national corporations gaining market share,” “regionalization and multinational takeovers,” “farmers going direct,” “competition with larger commercial grain firms (ADM, Cargill)” —can deepen these difficulties, as cooperatives struggle for market share and the ability to “price goods and services competitively.”

These dynamic problems occur in a context of an agricultural economy of “bigger farms and fewer farmers, who don’t shop locally, declining net farm income, and declining customer base due to farm consolidation.” Identified “operational problems” mention “survival” and such strategies for survival as “capture more nonmember business, diversifying the cooperative, finding demand, possible merger, and recognizing what we do well and being the best at it.” In anticipation of the “near future,” comments emerge such as

“keeping abreast of all new technology, adapting to Internet trading, GMO segregation, and biotechnology.”

### Fruit and Vegetable Cooperatives

Among fruit and vegetable cooperatives, “operational difficulties, the agricultural economy, competition, and low commodity prices,” accounted for 65 percent of the 100 responses (table 16). No other problem area garnered more than 5 responses.

When asked to consider the “near future” rather than “the previous year” (table 5), respondents identified the same four problem areas, but with some shifting in how often problem areas were cited. While “low commodity prices” was most frequently mentioned for “the past year” (20.4 percent of responses), it was less predominant when respondents anticipated the “near future”—accounting for 15 percent of the responses. The “agricultural economy” was shifted upwards, accounting for 17 percent of the anticipated problems, but just 12.9 percent of “past year” problems.

### Summary

Fruit and vegetable cooperatives cited “low commodity prices” as an anticipated concern in the near future. However, such “agricultural economy” concerns as “loss of local production, holding onto remaining farms and farmers, and continuing to balance the supply and demand for cherries” were more

Table 16—Problems management sees facing fruit and vegetable cooperatives in the near future, 2001-02

Problem or issue	Cooperatives		Responses <sup>1</sup>
	Number	Number	Percent
Operational	17	18	18.0
Agricultural economy	9	17	17.0
Competition	14	15	15.0
Low commodity prices	8	15	15.0
Consolidation	4	5	5.0
Labor	2	5	5.0
Members	4	5	5.0
Increasing costs	2	4	4.0
Low margins	4	4	4.0
Government regulations	3	3	3.0
Other	3	3	3.0
Weather	3	3	3.0
Transportation	2	2	2.0
Government programs	-	1	1.0
Total	75	100	100.0

<sup>1</sup> A number of cooperatives reported more than one problem. The second and third problems listed were included in the total responses. Respondents were not asked to give any priority or ranking to the problems reported.

frequently offered. “Near future” respondents considered the “agricultural economy” and “operational difficulties” more frequently than other concerns, although “low commodity prices” and “competition” continued to be frequent issues or worries.

### Dairy Cooperatives

Two problem areas—“low commodity prices and the agricultural economy”—accounted for 54 percent of the 78 responses offered by dairy marketing cooperatives. “Low commodity prices” was the predominant concern (29 responses or 37.2 percent of the citations). The “agricultural economy” accounted for 11 or 14.1 percent of the responses. No other problem was mentioned more than 9 times. This represents a slight shift for respondents when considering the “past year” (table 5) versus the “near future” (table 17).

### Summary

“Low commodity prices” was the predominant concern for both sets of respondents. However, comments on the “agricultural economy,” e.g., “keeping farmers in business,” were more evident. The immediate impact of “poor dairy prices” over the past year likely left little room for other considerations. Respondents contemplated “low prices” would continue, along with problems of a “declining agricultural economy.”

### Wool Cooperatives

Wool cooperatives were the only other marketing cooperatives that provided more than 10 comments in

a single category. The predominant issue identified was “low commodity prices” (table 18). Of the 33 responses, 13 or 39.4 percent were on “low wool commodity prices.” The predominant “price” comment was “wool prices,” although some responses were linked to larger structural concerns—“low prices and producers selling out.”

### Cotton Ginning

When cotton ginning cooperatives were asked to consider the “near future” rather than “the previous year,” they identified three problem areas—“low commodity prices, increasing costs, and weather” (56 responses or 55.7 percent of the 97 responses offered) (table 19). The “agricultural economy” accounted for an additional 12 responses (12.4 percent) and “labor,” 10 comments (10.3 percent of the 97 responses).

Past year responses (table 5) focused on “low prices, weather, and labor,” with “low prices” the predominant concern. These same concerns were expected to continue in the “near future,” particularly “low commodity prices.” However, “increasing costs” and the “agricultural economy” shifted up in prevalence.

### Summary

Concerns of cotton ginning cooperatives were focused on various difficulties related to low volumes, as well as “increasing costs,” and “low prices,” both in the “past year” and “near future.” A business can compensate for “low prices” by minimizing costs and/or expanding volume. “Weather” reduces volume, and “labor” concerns can increase costs

Table 17—Problems management sees facing dairy cooperatives in the near future, 2001-02

Problem or issue	Cooperatives		Responses <sup>1</sup>	
	Number	Number	Number	Percent
Low commodity prices	26	29		37.2
Agricultural economy	8	11		14.1
Operational	8	9		11.5
Members	5	8		10.3
Competition	5	6		7.7
Increasing costs	3	6		7.7
Other	4	4		5.1
Government programs	3	3		3.8
Consolidation	2	2		2.6
Total	64	78		100.0

<sup>1</sup> A number of cooperatives reported more than one problem. The second and third problems listed were included in the total responses. Respondents were not asked to give any priority or ranking to the problems reported.

(although quality of labor was also an issue.) When respondents turned to the “near future,” the issues of the agricultural economy involved comments on volume—“decrease cotton acres, decrease in production, and keeping farmers in business.” Anticipated “increasing cost” concerns predominantly focused on “fuel costs.” When respondent focus shifted from past to future, problems of the agricultural economy (loss of potential volume) became more prominent. And fuel costs, as an “increasing cost” problem, became more evident as well.

### **Relationships Among Problems: Cooperative Type**

Various tensions between the cooperative environment and the cooperative organization become evident with these comments. When respondents shift their focus from past to future, the fixity of some of their concerns loosens, although other limits come into greater focus. When grain cooperatives considered the past year, they commented on the difficulties of “operations (and operational adjustments)” in a context of

Table 18—**Problems management sees facing wool cooperatives in the near future, 2001-02**

Problem or issue	Cooperatives		Responses <sup>1</sup>
	<i>Number</i>	<i>Number</i>	<i>Percent</i>
Low commodity prices	12	13	39.4
Competition	4	8	24.2
Agricultural economy	2	5	15.2
Operational	3	3	9.1
Increasing costs	-	1	3.0
Other	1	1	3.0
Weather	-	1	3.0
Low margins	1	1	3.0
<b>Total</b>	<b>23</b>	<b>33</b>	<b>100.0</b>

<sup>1</sup> A number of cooperatives reported more than one problem. The second and third problems listed were included in the total responses. Respondents were not asked to give any priority or ranking to the problems reported.

Table 19—**Problems management sees facing cotton ginning cooperatives in the near future, 2001-02**

Problem or issue	Cooperatives		Responses <sup>1</sup>
	<i>Number</i>	<i>Number</i>	<i>Percent</i>
Low commodity prices	18	25	25.5
Increasing costs	8	17	17.3
Weather	10	14	14.3
Agricultural economy	8	13	13.3
Labor	7	10	10.2
Operational	6	8	8.2
Government regulations	3	4	4.1
Competition	1	2	2.0
Government programs	-	2	2.0
Accounts receivable	-	1	1.0
Other	-	1	1.0
Low margins	1	1	1.0
<b>Total</b>	<b>62</b>	<b>98</b>	<b>100.0</b>

<sup>1</sup> A number of cooperatives reported more than one problem. The second and third problems listed were included in the total responses. Respondents were not asked to give any priority or ranking to the problems reported.

“low commodity prices,” and a lack of “quality labor,” in a year ending in “low margins.” The margins of a past year are fixed.

When focus shifted to the future, respondents mentioned “low margins” less often and more frequently cited aspects of doing business that affect “margins” directly, e.g., the worry of “increasing costs.” “Operational considerations remain,” as does an understanding of an environment with “low commodity prices.”

Mentioned more frequently were the structural considerations and limits represented by a declining “agricultural economy” and increased “competition.” Respondents focused on various “operational problems” and adjustments, within a context of “low commodity prices,” a declining “agricultural economy,” as well as “increasing costs,” and greater “competition.” Consequent “operational” adjustments included “marketing, finance, debt management, improving efficiency, seeking new members, improving returns to members” and such organizational changes as “consolidation, merger, joint ventures, and strategic alliances.”

Respondents from fruit and vegetable cooperatives followed a similar pattern. For the “past year” considerations, they identified various “operational difficulties” in a context of “low commodity prices” and “competition.” For the “near future,” they augmented these latter considerations with structural comments on the larger “agricultural economy.” Dairy marketing cooperatives primarily mentioned past “prices,” but broadened to the “agricultural economy” when shifting to the future. “Weather” and “prices” were primary considerations for cotton ginning cooperatives, both in the past and near future. However, when focus shifted to the future, comments on the “agricultural economy” as related to declining volumes, became more prominent.

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## Size of Cooperative

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Near future problems faced by cooperatives were analyzed by size of cooperatives. Size measures were based on marketing or farm supply sales plus service receipts and other income. This total will be referred to as revenues.

For all cooperatives, problems most frequently anticipated for the “near future” included “the agricultural economy, low commodity prices, operational problems, and low margins” (54.2 percent of all “near future” comments). Responses in three additional

areas were cited—“increasing costs, competition, and labor”—and ranged from 8.8 percent for “increasing costs,” to 6.7 percent for “labor.” “Weather, technology, Government regulations, accounts receivable, and members” were also cited but each accounted for less than 5 percent of the total number of responses.

These same problem areas—“the agricultural economy, low commodity prices, operational problems, and low margins” were the most prevalent concerns for cooperatives with revenues in the mid-range sizes (table 20 and 21). For cooperatives with revenues between \$25 million and \$49.9 million, the “agricultural economy, low commodity prices, operational problems, and low margins” accounted for 92 citations, or 51.1 percent of the 180 responses offered in this category. Cooperatives with revenues between \$15 million and \$24.9 million identified these same four problem areas plus “increasing costs.” There were 194 responses from these latter cooperatives. “Agricultural economy, low commodity prices, operational problems, low margins, and increasing costs” accounted for 106 statements, or 54.6 percent of the responses for that size range.

Different combinations of problems were reported from organizations larger and smaller than these mid-size cooperatives. However the “agricultural economy” and “low commodity prices” were the most anticipated problems for nearly all size categories (table 21). “Low commodity prices” was among the most frequently cited for each size, except cooperatives with \$100 million to \$499.9 million and with \$1 billion or more in revenues. For cooperatives with revenues of \$100 million to \$499.9 million, only 47 responses were offered in total. With the exception of the “agricultural economy,” no problem area drew more than 9 responses in this size category. For cooperatives with revenues of \$1 billion or more, only 10 responses were offered in total, and no individual problem area drew more than 3 comments.

“Operational problems and low margins” were not as consistently present across sizes, as were “low prices” and “agricultural economy.” For the smallest cooperatives (revenues of less than \$1 million), “low margins” garnered just 2 of the 136 responses. The “agricultural economy, low commodity prices, and operational difficulties” accounted for 82 statements, or 53 percent of the responses. The fourth most often anticipated problem was “competition,” garnering 16 statements or 11.8 percent of the responses.

For cooperatives with revenues between \$1 million and \$1.9 million, \$2 million and \$3.9 million, \$4 million and \$4.9 million, both “low margins and oper-

ational difficulties” shifted down in frequency, while “increasing costs” shifted up. The “agricultural economy, low commodity prices, and increasing costs” accounted for 51.6 percent of the 130 responses from cooperatives with revenues from \$1 million to \$1.9 million, 50.7 percent of the 203 responses from cooperatives with revenues from \$2 million to \$3.9 million, and 56.6 percent of the 113 responses from cooperatives with revenues from \$4 million to \$4.9 million.

Cooperatives with revenues between \$5 million and \$9.9 million showed a similar response pattern. The most often cited problems anticipated in the “near future” were the “agricultural economy, low commodity prices, and increasing costs,” accompanied by “low margins.” These traits accounted for 169 of the 301 responses, or 56.2 percent.

In smaller size categories (\$1 million to \$9.9 million) where “operational difficulties” and/or “low margins” drew less attention, “increasing costs” problems gained more focus. In mid-size cooperatives (\$10 million to \$14.9 million), where “operational difficulties” and/or “low margins” again were of less concern, “competition and labor” gained greater focus. The “agricultural economy, competition, low commodity prices, and labor” accounted for 82 of the 152 responses, or 54 percent. “Labor and competition” were more often a concern than “operational difficulties and low margins.”

“Labor” concerns were also cited more often for cooperatives with revenues between \$50 million and \$99.9 million (14 of 83 comments or 16.9 percent). Problems of “operational difficulties” drew 10 of 83 citations or 12 percent. No other problem area garnered more than 9 comments.

There were relatively few comments from the very largest cooperatives, i.e., those with revenues of \$100 million or more. Of the 47 responses for cooperatives with revenues between \$100 million and \$499.9 million, 10 (21.3 percent) concerned the “agricultural economy.” No other problem area in this size range drew more than 9 comments. For cooperatives with revenues of \$500 million or more, no problem area drew more than 3 comments.

### ***Relationships Among Problems: Size***

The frequency of citations for each category of responses for the “near future” were similar to those from the “past year.”

Low margins, increasing costs, low commodity prices, and size of cooperative are all closely interrelated. A cooperative struggling with low margins may improve them by increasing prices and/or lowering

costs. Two of the most prevalent problems mentioned generally were “low commodity prices” and “low margins.” In a market of pervasively low prices and thin margins, a rise in costs can be particularly problematic. The cooperative cannot raise prices and will likely find it difficult to cut costs in a larger climate of increasing costs. Even maintaining margins may be difficult. These difficulties may be more ominous for smaller cooperatives. A larger size cooperative, struggling with low margins, may be able to spread increasing costs over a greater volume, thereby maintaining or improving its survivability. Smaller cooperatives have less room by volume to spread costs, and in an environment of declining prices, may find it more difficult to maintain margins.

These relationships tended to be confirmed in the revealed problems of cooperatives when considering their size. “Operational” addresses the internal problems cooperatives face in trying to improve “margins” in an environment of “low prices” and “increasing costs.” With smaller cooperatives, those that find it difficult to spread costs over larger volumes, “competition” emerges as a more frequently cited challenge. Larger volume cooperatives identified labor more often, although some of the smaller cooperatives also cited labor. All size cooperatives saw the agricultural economy as a problem area when focus was shifted to the future. Regardless of the shifts in costs, margins, size, growth, and/or consolidations, the loss of the farming base represents fewer farmers and increased competition for fewer numbers of larger-volume farms.

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## **Future Problems Identified by Region**

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Problems cooperatives anticipated facing in the “near future” were analyzed in 10 regions of the country—Appalachian, Corn Belt, Delta States, Lakes States, Mountain, Northeast, Northern Plains, Pacific, Southeast, and Southern Plains. This section presents comments in two sections: 1) low prices and the agricultural economy and 2) comments beyond prices and the economy.

### **Low Prices and the Agricultural Economy**

“Low commodity prices” and the “agricultural economy” (tables 22 & 23) were the two most frequently identified concerns for the “near future” (tables 22 & 23). Except for the Corn Belt and Pacific regions, “low commodity prices” was the first or second most often anticipated problem. “Low commodity prices” was the

Table 20—Problems management sees facing cooperatives in the near future, by size of cooperative, 2000-01

Cooperative size	Major problem or issue													Total				
	Accounts receivable	Agricultural economy	Competition	Consolidation	Technology	Genetically Modified crops	Government regulations	Government programs	Increasing costs	Labor	Low commodity prices	Operational	Other		Transportation	Weather	Members	Low Margins
Less than 1	1	25	16	-	-	1	3	5	12	4	30	17	6	1	6	7	2	136
1 - 1.9	4	27	8	2	1	-	3	3	17	8	23	10	4	-	11	3	6	130
2 - 3.9	4	34	18	1	3	-	9	4	28	16	41	19	4	2	10	3	7	203
4 - 4.9	4	23	8	-	3	-	5	2	11	6	30	8	2	-	5	2	4	113
5 - 9.9	12	65	24	1	9	6	12	6	36	21	40	24	-	2	11	4	28	301
10 - 14.9	4	31	21	6	1	5	5	3	12	15	15	14	1	3	2	1	13	152
15 - 24.9	3	27	12	3	16	8	9	4	18	16	21	20	5	4	6	2	20	194
25 - 49.9	2	21	20	6	13	2	4	4	9	10	25	23	6	1	8	2	22	178
50 - 99.9	1	9	6	2	5	-	2	2	9	14	9	10	1	-	1	4	8	83
100 - 499.9	-	10	2	2	3	-	1	3	1	3	3	9	3	2	1	2	2	47
500 and more	-	6	1	2	-	-	2	-	2	-	5	5	2	-	-	2	1	28
Total	35	278	136	25	54	22	55	36	155	113	242	159	34	15	61	32	113	1,565



Table 21—Problems management sees facing cooperatives in the near future, by size of cooperative, 2000-01

Cooperative size	Major problem or issue														Total			
	Accounts receivable	Agricultural economy	Competition	Consolidation	Technology	Genetically Modified crops	Government regulations	Government programs	Increasing costs	Labor	Low commodity prices	Operational	Other	Transportation		Weather	Members	Low Margins
Less than 1	0.7	18.4	11.8	-	-	0.7	2.2	3.7	8.8	2.9	22.1	12.5	4.4	0.7	4.4	5.1	1.5	100
1 - 1.9	3.1	20.8	6.2	1.5	0.8	-	2.3	2.3	13.1	6.2	17.7	7.7	3.1	-	8.5	2.3	4.6	100
2 - 3.9	2.0	16.7	8.9	0.5	1.5	-	4.4	2.0	13.8	7.9	20.2	9.4	2.0	1.0	4.9	1.5	3.4	100
4 - 4.9	3.5	20.4	7.1	-	2.7	-	4.4	1.8	9.7	5.3	26.5	7.1	1.8	-	4.4	1.8	3.5	100
5 - 9.9	4.0	21.6	8.0	0.3	3.0	2.0	4.0	2.0	12.0	7.0	13.3	8.0	-	0.7	3.7	1.3	9.3	100
10 - 14.9	2.6	20.4	13.8	3.9	0.7	3.3	3.3	2.0	7.9	9.9	9.9	9.2	0.7	2.0	1.3	0.7	8.6	100
15 - 24.9	1.5	13.9	6.2	1.5	8.2	4.1	4.6	2.1	9.3	8.2	10.8	10.3	2.6	2.1	3.1	1.0	10.3	100
25 - 49.9	1.1	11.8	11.2	3.4	7.3	1.1	2.2	2.2	5.1	5.6	14.0	12.9	3.4	0.6	4.5	1.1	12.4	100
50 - 99.9	1.2	10.8	7.2	2.4	6.0	-	2.4	2.4	10.8	16.9	10.8	12.0	1.2	-	1.2	4.8	9.6	100
100 - 499.9	-	21.3	4.3	4.3	6.4	-	2.1	6.4	2.1	6.4	6.4	19.1	6.4	4.3	2.1	4.3	4.3	100
500 and more	-	21.4	3.6	7.1	-	-	7.1	-	7.1	-	17.9	17.9	7.1	-	-	7.1	3.6	100
Total	2.2	17.8	8.7	1.6	3.5	1.4	3.5	2.3	9.9	7.2	15.5	10.2	2.2	1.0	3.9	2.0	7.2	100

most frequently cited concern in the Southern Plains (24.8 percent), Northeast (24.1 percent), Delta States (27.3 percent), and Southeast (15.4 percent). “Low commodity prices” was the second most frequently cited problem in the Northern Plains (14.0 percent), Lake States (14.0 percent), and the Appalachian region (15.8 percent). Regions where “low commodity prices” was the most frequent comment both for the “past year” and “near future” were—Southern Plains, Northeast, Delta, and Southeast.

The “agricultural economy” was most frequently mentioned in the Northern Plains (16.1 percent), Lake States (22.1 percent), and the Appalachian region (31.6 percent) and second in the Corn Belt (14.8 percent), Southern Plains (18.3 percent), Mountain (17.3 percent), Northeast (12.7 percent), Delta States (16.7 percent), and Southeast (21.1 percent).

In the Northern Plains, Lake States, Pacific, Southern Plains, Northeast, Delta, and Southeast States regions, the prevalence of “agricultural economy” comments increased to the most, or second most often cited concern with the shift in focus from “past to future.” Comments on “fewer farmers,” “reduced farm income,” “slumping sales due to farmers exiting,” “lost agriculture base” increased in number.

“Price” concerns were pervasive as well whether respondents considered the “past year” or the “near future”—though the relative frequency of price comments decreased somewhat from “past” to “future” in some regions. This shift was pronounced in the “Corn Belt” where “price” was the fourth most frequent comment of the “past year,” and seventh in the “near future,” and in the “Pacific” regions, where “price” was the most frequent comment of “past year” problems, and the fifth most frequent for the “near future.”

The structural problems of the “agricultural economy” may seem ever present for respondents, especially when focus is shifted to “the future.” “Prices” are a continuing but also a daily struggle that respondents may give some less attention to when considering “future” concerns. Planning must involve “price” considerations, but perhaps more troubling are the considerations of a larger “declining agricultural economy.”

### **Comments Beyond Prices and Ag Economy**

This section presents responses from each region, with regions garnering the greatest number of responses presented first, and those with progressively fewer responses presented in order after the first region. The Corn Belt and the Pacific Region are exceptions. “Low commodity prices” was not among the first or second

most often cited responses in these two areas—unlike in the other eight regions. The Corn Belt and Pacific region responses, therefore, follow the response from the eight other regions.

Beyond “low commodity prices” and “the agricultural economy,” six other problem areas—“increasing costs, competition, low margins, labor, operational difficulties, and weather”—were cited much more frequently than other areas. These six problem areas were the most commonly cited, whether the focus was on “past year” or “near future.”

Respondents suggested these six problem areas, plus prices and the economy, have been critical to cooperative operations over the past year and are anticipated to continue in the near future.

“The agricultural economy” and “low prices” set a background for cooperative operations across regions, both as problems in the “past” and “near future.” To offset “low prices” and loss of members and volumes (due to a declining “agricultural economy”), cooperatives can seek to decrease costs, although this is difficult in an environment of “increasing costs” (including “labor” costs). They can seek to expand sales, although this is difficult in markets where “competition” is intense. Trying to improve productivity is difficult with lack of qualified “labor.” And “weather” problems can complicate any strategies by reducing volumes. These six problem areas were consistently identified across regions, but in varying orders of prevalence.

### ***Northern Plains***

In the Northern Plains region, the agricultural economy (16.1 percent), low commodity prices (14 percent), increasing costs (10.7 percent), and competition (9.8 percent) were the most frequently cited (170 responses) for the “near future (table 23). Second-tier problems, each accounting for at least 5 percent of the responses, included “labor (9.2 percent), operational (8.6 percent), and low margins (6.3 percent). With some exceptions, these areas were similar to those identified by respondents when considering “past year” difficulties, i.e., “low commodity prices (16.2 percent), agricultural economy (11.3 percent), operational (11 percent), increasing costs (9.5 percent), labor (9.2 percent), competition (8.3 percent), weather (7.3 percent), low margins (7 percent), and Government regulations (5.8 percent).

Such “operational” problems as “keeping out market share, maintaining our market share, remaining profitable in a depressed farm economy” dropped from the third most frequent to sixth for the “near

**Table 22—Co-ops' total response to what management considered to be the major problem or issue facing their co-op in the near future, by region of the U.S., 2000**

Region	Major problem or issue														Total			
	Accounts receivable	Agricultural economy	Competition	Consolidation	Technology	Genetically Modified crops	Government regulations	Government programs	Increasing costs	Labor	Low commodity prices	Operational	Other	Transportation		Weather	Members	Low Margins
	Percent of total																	
Appalachian	-	18	6	-	-	2	4	2	2	9	5	2	2	-	2	3	2	57
Corn Belt	6	46	25	10	24	9	4	23	26	24	48	3	3	1	3	3	35	310
Delta States	4	11	1	-	2	-	1	8	3	18	10	1	1	1	4	-	2	66
Lake States	8	57	25	2	7	1	7	26	19	36	16	4	4	-	2	5	36	258
Mountain	2	19	10	3	3	-	5	11	9	26	7	2	2	-	3	3	5	110
Northeast	1	10	9	1	-	1	1	5	7	19	10	4	4	-	1	8	2	79
Northern Plains	8	54	33	5	14	16	6	36	31	47	29	5	5	12	15	4	21	336
Pacific	3	27	21	3	2	1	9	19	6	16	19	9	9	1	5	2	7	158
Southeast	1	8	2	1	1	-	1	3	-	9	3	-	-	-	3	3	1	38
Southern Plains	2	28	4	-	1	5	1	22	10	38	12	4	4	-	23	1	2	153
<b>Total</b>	<b>35</b>	<b>278</b>	<b>136</b>	<b>25</b>	<b>54</b>	<b>22</b>	<b>36</b>	<b>155</b>	<b>113</b>	<b>242</b>	<b>159</b>	<b>34</b>	<b>34</b>	<b>15</b>	<b>61</b>	<b>32</b>	<b>113</b>	<b>1,565</b>

**Table 23—Co-ops' total response to what management considered to be the major problem or issue facing their co-op the near future, by region of the U.S., 2000**

Region	Major problem or issue														Total			
	Accounts receivable	Agricultural economy	Competition	Consolidation	Technology	Genetically Modified crops	Government regulations	Government programs	Increasing costs	Labor	Low commodity prices	Operational	Other	Transportation		Weather	Members	Low Margins
Appalachian	-	31.6	10.5	-	-	-	3.5	7.0	3.5	3.5	15.8	8.8	3.5	-	3.5	5.3	3.5	100
Corn Belt	1.9	14.8	8.1	3.2	7.7	6.5	2.9	1.3	7.4	8.4	7.7	15.5	1.0	0.3	1.0	1.0	11.3	100
Delta States	6.1	16.7	1.5	-	3.0	-	-	1.5	12.1	4.5	27.3	15.2	1.5	1.5	6.1	-	3.0	100
Lake States	3.1	22.1	9.7	0.8	2.7	0.4	2.7	2.7	10.1	7.4	14.0	6.2	1.6	-	0.8	1.9	14.0	100
Mountain	1.8	17.3	9.1	2.7	2.7	-	4.5	1.8	10.0	8.2	23.6	6.4	1.8	-	2.7	2.7	4.5	100
Northeast	1.3	12.7	11.4	1.3	-	-	1.3	1.3	6.3	8.9	24.1	12.7	5.1	-	1.3	10.1	2.5	100
Northern Plains	2.4	16.1	9.8	1.5	4.2	-	4.8	1.8	10.7	9.2	14.0	8.6	1.5	3.6	4.5	1.2	6.3	100
Pacific	1.9	17.1	13.3	1.9	1.3	0.6	5.1	5.7	12.0	3.8	10.1	12.0	5.7	0.6	3.2	1.3	4.4	100
Southeast	2.6	21.1	5.3	2.6	2.6	-	5.3	2.6	7.9	-	23.7	7.9	-	-	7.9	7.9	2.6	100
Southern Plains	1.3	18.3	2.6	-	0.7	-	3.3	0.7	14.4	6.5	24.8	7.8	2.6	-	15.0	0.7	1.3	100
Total	2.2	17.8	8.7	1.6	3.5	1.4	3.5	2.3	9.9	7.2	15.5	10.2	2.2	1.0	3.9	2.0	7.2	100
Total	3.2	13.3	7.8	1.1	1.3	1.3	3.1	2.0	9.0	8.3	18.8	11.0	2.3	1.1	6.6	1.9	7.9	100

future.” “Competition” shifted upward from sixth and 8.3 percent of the responses to fourth and 9.8 percent of the responses. “Increasing costs”—following the “agricultural economy” and “low prices”—remained one of the most frequently mentioned problems.

In a context of “low prices” and a declining economy, Northern Plains respondents most frequently anticipated “increasing costs” (primarily fuel) and “competition” (“competition with private elevators,” “need to be more competitive”) as “near future” problems. “Weather” and “Government regulations” dropped to less than 5 percent of the comments (table 24).

When Northern Plains respondents considered the “near future,” they cited the “agricultural economy,” “low commodity prices,” “increasing costs,” and “competition” as their most often anticipated problems. Cooperative solvency may be maintained or improved by—among other strategies—increasing prices, expanding volume, reducing costs, and competing in the marketplace.

### Lake States

In the Lake States region, the “agricultural economy (22.1 percent), low commodity prices (14 percent), and low margins (14 percent)” were the most frequently cited “near future” problems (129 responses, table 24). Second-tier problems garnering at least 5 percent

of the comments, included “increasing costs (10.1 percent), competition (9.7 percent), labor (7.4 percent), and operational difficulties (6.2 percent).” Past year comments included “low commodity prices (21.7 percent), agricultural economy (18.8 percent), low margins (14.2 percent), increasing costs (10 percent), operational difficulties (8.3 percent), labor (6.3 percent), and competition (5.4 percent).” “Low commodity prices (21.7 percent), agricultural economy (18.8 percent), and low margins (14.2 percent) accounted for 54.7 percent of the past year comments (tables 22, 23).

These concerns changed little when respondents shifted their focus from past to future. Beyond the “agricultural economy and low prices,” “low margins” was the most frequently mentioned concern both in the past and in the near future. Concerns about “competition”—“regionalization and multi-nationalization, small-town co-op competing against big business, competitive factors in not being able to buy quality”—shifted up from the seventh most frequent to the fifth most often cited problem. Concerns about “operational difficulties”—“sales, doing more with less, new sources of income”—shifted down from fifth to seventh. When respondent focus moved to the future, past-year problems continued to predominate, although “operational” questions yielded other con-

Table 24—Rank order of problems identified for the past year and near future, Northern Plains

Problem	Past year response			Near future response		
	Number	Percent of total	Rank	Number	Percent of total	Rank
Low commodity prices	53	16.2	1	47	14.0	2
Agricultural economy	37	11.3	2	54	16.1	1
Operational	36	11.0	3	29	8.6	6
Increasing costs	31	9.5	4	36	10.7	3
Labor	30	9.2	5	31	9.2	5
Subtotal	188	57.2		197	58.6	
Competition	27	8.3	6	33	9.8	4
Weather	24	7.3	7	15	4.5	9
Low margins	23	7.0	8	21	6.3	7
Government regulations	19	5.8	9	16	4.8	8
Subtotal	93	28.4		85	25.3	
Total	280	85.6		282	84.0	

cerns—“large corporations forcing smaller companies out of business, profitability in our competitive environment, and being efficient to compete” (table 25).

### Southern Plains

In the Southern Plains region, “low commodity prices (24.8 percent), agricultural economy (18.3 percent), and weather (15 percent)” were the most frequently cited problems (58.1 percent of responses, table 25). A second tier of problems included:—“increasing costs (14.4 percent), operational (7.8 percent), and labor (6.5 percent).” Past year responses included “low commodity prices (24.1 percent), weather (22.6 percent), agricultural economy (9.8 percent), labor (9.8 percent), and increasing costs (8.3 percent). “Low commodity prices, weather, and the agricultural economy” accounted for 56.5 of the “past year” responses.

“Past year” and the “near future” concerns were unchanged. “Weather” remained a primary worry (reduced volume) only behind “low commodity prices” and “the agricultural economy” when focus shifted to the future. Other concerns were “increasing costs” and “operational” strategies—“capture more nonmember business, growth of the co-op, need to replace equipment.” While these problem areas contribute to issues of “low margins,” of the 153 total responses, it was cited just twice and “competition” just seven times. In the Southern Plains, beyond the

agricultural economy and low prices, weather (volumes) was the most frequent concern, both in the past and for the near future (table 26).

### Mountain States

In the Mountains States region, “low commodity prices, agricultural economy, and increasing costs” were the most frequently cited (50.9 percent of the 110 responses) for the “near future” (table 26). Almost 10 percent saw “competition” as an additional problem. No other problem area garnered more than 9 responses. “Past year” comments included “low commodity prices (27.3 percent), agricultural economy (12.1 percent), labor (11.1 percent), and increasing costs (10.1 percent). “Low commodity prices, agricultural economy, and labor” accounted for 50.5 percent of the “past year” responses (tables 22, 23).

When shifting from “past” to “near future,” the “low commodity prices and agricultural economy” concerns remained predominant. “Increasing costs” concerns continued to involve around 10 percent of the citations. “Labor” comments—“employee retention, employment issues”—dropped to less than 10 comments, while “competition” shifted upwards to 10 comments.

Cooperative respondents most frequently identified increasing costs, beyond the anticipated problems with the decline in the agricultural economy (the loss of local volumes and increasing size of remaining farms) and continued low prices. Problems with

Table 25—Rank order of problems identified for the past year and near future, Lake States

Problem	Past year response			Near future response		
	Number	Percent of total	Rank	Number	Percent of total	Rank
Low commodity prices	52	21.7	1	36	14.0	2
Agricultural economy	45	18.8	2	57	22.1	1
Low margins	34	14.2	3	36	14.0	3
Subtotal	131	54.7		129	50.1	
Increasing costs	24	10.0	4	26	10.1	4
Operational	20	8.3	5	16	6.2	7
Labor	15	6.3	6	19	7.4	6
Competition	13	5.4	7	25	9.7	5
Subtotal	72	30.0		86	33.4	
Total	203	84.7		215	75.5	

increasing cost, declining volumes, and low prices narrow solvency options. A context of increasing costs can eliminate internal organizational options to decrease costs (table 27).

### Northeast States

In the Northeast states, “low commodity prices (24.1 percent), agricultural economy (12.7 percent), and operational (12.7 percent)” accounted for 39 or 49.4 percent of the 79 responses on the “near future.” There were no other comments from the Northeast that garnered more than 9 responses. “Competition” was the fourth most frequent response on the “near future,” drawing 9 responses. Past year comments included “low prices (33.3 percent), competition (12.5 percent), and agricultural economy (11.1 percent). However, with the exception of “low commodity prices”—no problem area garnered more than 9 responses.

When respondents shifted from the “past year” to the “near future” such “operational” issues as “better inventory management, marketing, trying to increase prices to members” were cited more frequently. However, worries concerning “low prices and the agricultural economy” continued to predominate.

### Delta States

When respondents focused on the “near future,” they predominantly identified three problem areas—“low commodity prices (27.3 percent), agricultural economy (16.7 percent), and operational difficulties

(15.2 percent).” They accounted for 39 of the 66 responses (59.1 percent) on the “near future.” No other problem area garnered more than 8 citations. Respondents identified “low commodity prices (29 percent) and increasing costs (15.9 percent) when focusing on “past year” problems. The “agricultural economy” accounted for an additional 11.6 percent of the total responses, but just 8 responses (tables 22, 23).

When respondents shifted to the “near future,” there was a tendency to give greater focus to “operational difficulties”—“increasing sales, decreasing expenses, and marketing”—beyond “low commodity prices and the “agricultural economy.” “Increasing costs”—“cost of supplies, prices of raw materials, rising costs of fuel”—was less often cited. Respondents may seek operational solutions when planning for the “near future,” and identify “increasing costs” issues less often.

### Appalachian Region

In the Appalachian region, the “agricultural economy” accounted for 18 of the 57 responses (31.6 percent) on the “near future.” There were no other comments that garnered more than 9 responses. Of the 62 responses on “past year” problems, the “agricultural economy (17.7 percent), operational difficulties (17.7 percent), and low commodity prices (16.1 percent)” accounted for 51.5 percent.

When respondents shifted their focus to the “near future,” their most prevalent concerns were on the

Table 26—Rank order of problems identified for the past year and near future, Southern Plains

Problem	Past year response			Near future response		
	Number	Percent of total	Rank	Number	Percent of total	Rank
Low commodity prices	32	24.1	1	38	24.8	1
Weather	30	22.6	2	23	15.0	3
Agricultural economy	13	9.8	3	28	18.3	2
Labor	13	9.8	4	10	6.5	6
Subtotal	88	66.3		99	64.6	
Increasing costs	11	8.3	5	22	14.4	4
Operational	9	6.8	6	12	7.8	5
Subtotal	20	15.1		34	22.2	
Total	108	81.4		133	86.8	

Table 27—**Rank order of problems identified for the past year and near future, Mountain States**

Problem	Past year response			Near future response		
	Number	Percent of total	Rank	Number	Percent of total	Rank
Low commodity prices	27	27.3	1	26	23.6	1
Agricultural economy	12	12.1	2	19	17.3	2
Labor	11	11.1	3	11	8.2	5
Subtotal	50	50.5		56	49.1	
Increasing costs	10	10.1	4	11	10.0	3
Competition	8	8.1	6	10	9.1	4
Subtotal	10	10.1		10	10.1	
Total	60	60.6		66	61.0	

structural questions of the agricultural economy—“continued loss of farm land and farmers, declining cow numbers and tobacco farms and decline in the agricultural economy” (tables 22, 23).

### **Southeast States**

There were only 38 comments on the “near future” from the Southeast region. No problem area garnered more than 9 comments. “Low commodity prices” (9 responses) and the “agricultural economy” (8 responses) were the most prevalent. The most prevalent “past year” responses were on the “weather” (8 responses). When respondents shifted their focus from “past year” to “near future,” they tended to mention the problems of “weather” less frequently and shifted to the more enduring structural concerns of the “agricultural economy” and “prices” (tables 22, 23).

### **Corn Belt**

“Operational difficulties (15.5 percent), agricultural economy (14.8 percent), low margins (11.3 percent), and labor (8.4 percent)” were the most frequently cited problems (50 responses) on the “near future” (table 27). Second-tier problems included “competition (8.1 percent), technology (7.7 percent), low commodity prices (7.7 percent), increasing costs (7.4 percent), and GMO issues (6.5 percent). These problem areas were similar to those identified for “past year” concerns—i.e., “operational difficulties,” “agricultural economy,” “low margins,” and “low commodity prices” (49.9 percent of “past year” responses) (tables 22, 23).

When respondents considered the future, the character of the comments changed little. Responses about prices for example, were the same, e.g., “low commodity prices, low grain prices.” However, there were changes in the order of the frequency of responses. When respondent concerns shifted from past to future concerns, “low prices” dropped from first-tier concerns to seventh, from 10.6 percent to 7.7 percent of the responses. “Technology” issues shifted from 12th and only 2.3 percent of “past year” responses to the sixth most frequently cited “near future” problem (table 28).

When respondents in the Corn Belt shifted focus from the “past year” to the “near future,” they anticipated many of the same difficulties, although “prices” were mentioned less often. Technological issues—“internet sales, changing technology in farming, keeping on top of plant genetic issues, and speed of changing technologies”—became more prevalent.

When respondent focus shifted to the “near future,” the remembered difficulties of “low prices” from “past year” were less prevalent relative to “near future” problems. The concerns of “technology” and its possible impacts on sales, farming, and production were likely more of a concern for planning reasons. “Operational difficulties,” “the agricultural economy,” and “low margins” remained among the most often cited. “Labor” was fifth most cited for “past year” concerns, and fourth for the “near future.”

These responses reveal the continued concerns for cooperative survival, whether as problems identi-



Table 28—Rank order of problems identified for the past year and near future, Corn Belt

Problem	Past year response			Near future response		
	Number	Percent of total	Rank	Number	Percent of total	Rank
Operational	43	14.2	1	48	15.5	1
Agricultural economy	39	12.9	2	46	14.8	2
Low margins	37	12.2	3	35	11.3	3
Low commodity prices	32	10.6	4	24	7.7	7
Subtotal	151	49.9		153	49.3	
Labor	31	10.2	5	26	8.4	4
Competition	23	7.6	6	25	8.1	5
Increasing costs	22	7.3	7	23	7.4	8
Genetically modified crops	18	5.9	8	20	6.5	9
Technology	7	2.3	12	24	7.7	6
Subtotal	101	33.3		118	38.1	
Total	252	80.9		271	87.4	

fied in the “past year” or anticipated in the “near future.” Respondents identified a declining agricultural economy (and declining volumes), low prices, labor costs and labor quality, increasing costs, low margins, and pressures from competitors as continued worries. “Operational” problems in many instances spoke to strategies that cooperatives might consider to overcome difficulties. Many were general in nature—“improving efficiency, growth of profitability, finding demand for our product, increasing sales, and inventory controls.”

More specific ones related to problems in the environment—“ability to develop value-added products to improve member profitability, replacing volumes lost to efficiency and farming practice changes, financing and creating other profit centers, pressure to merge or sell.” “Past year” and “near future” responses were nearly the same, though “past year” responses were more reflective of merger and organizational changes—“merging two companies, the restructuring and organizing of the company after the merger, and surviving as a small cooperative in an age of consolidations and mergers.” The decline in the prevalence of “price” comments may reflect respondent shift to more frequent consideration of larger structural issues. The

increased presence of “technology” may be indicative of a longer-run view that is focused on determinants of change in the “near future.”

### **Pacific Region**

“Agricultural economy (17.1 percent), competition (13.3 percent), increasing costs (12 percent), and operational difficulties (12 percent)” were the most frequently cited “near future” problems (54.4 percent of 158 responses) (table 28). “Low commodity prices” was a fifth area, and accounted for an additional 16 comments or 10.1 percent. These five areas were the same problems identified by Pacific respondents considering “past year” difficulties (tables 22, 23).

There was little difference in the individual responses between past and future comments. However, there were changes in the ordered frequency of the responses. As with the Corn Belt responses, “low commodity prices” dropped in relative frequency.

Such structural difficulties as the “agricultural economy” became more prominent when future problems were anticipated. While remaining among the most frequently cited, “increasing costs” concerns and “operational” difficulties shifted down slightly. “Increasing costs” predominantly dealt with increasing energy costs, “operational difficulties” with “improv-

Table 29—Rank order of problems identified for the past year and near future, Pacific Region

Problem	Past year response			Near future response		
	Number	Percent of total	Rank	Number	Percent of total	Rank
Low commodity prices	25	16.4	1	16	10.1	5
Operational	23	15.1	2	19	12.0	4
Agricultural economy	22	14.5	3	27	17.1	1
Competition	19	12.5	4	21	13.3	2
Increasing costs	17	11.2	5	19	12.0	3
Total	106	69.7		102	64.5	

ing sales, profits, efficiency, and capitalization.” In both the Corn Belt and Pacific regions, “low commodity prices” was cited less frequently than in the other regions, particularly when respondent focus shifted to the “near future.” Respondents in these regions may be hopeful of better prices and give greater focus to volume, costs, and operational strategies (table 29).

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## **U.S. Department of Agriculture**

### **Rural Business–Cooperative Service**

Stop 3250

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